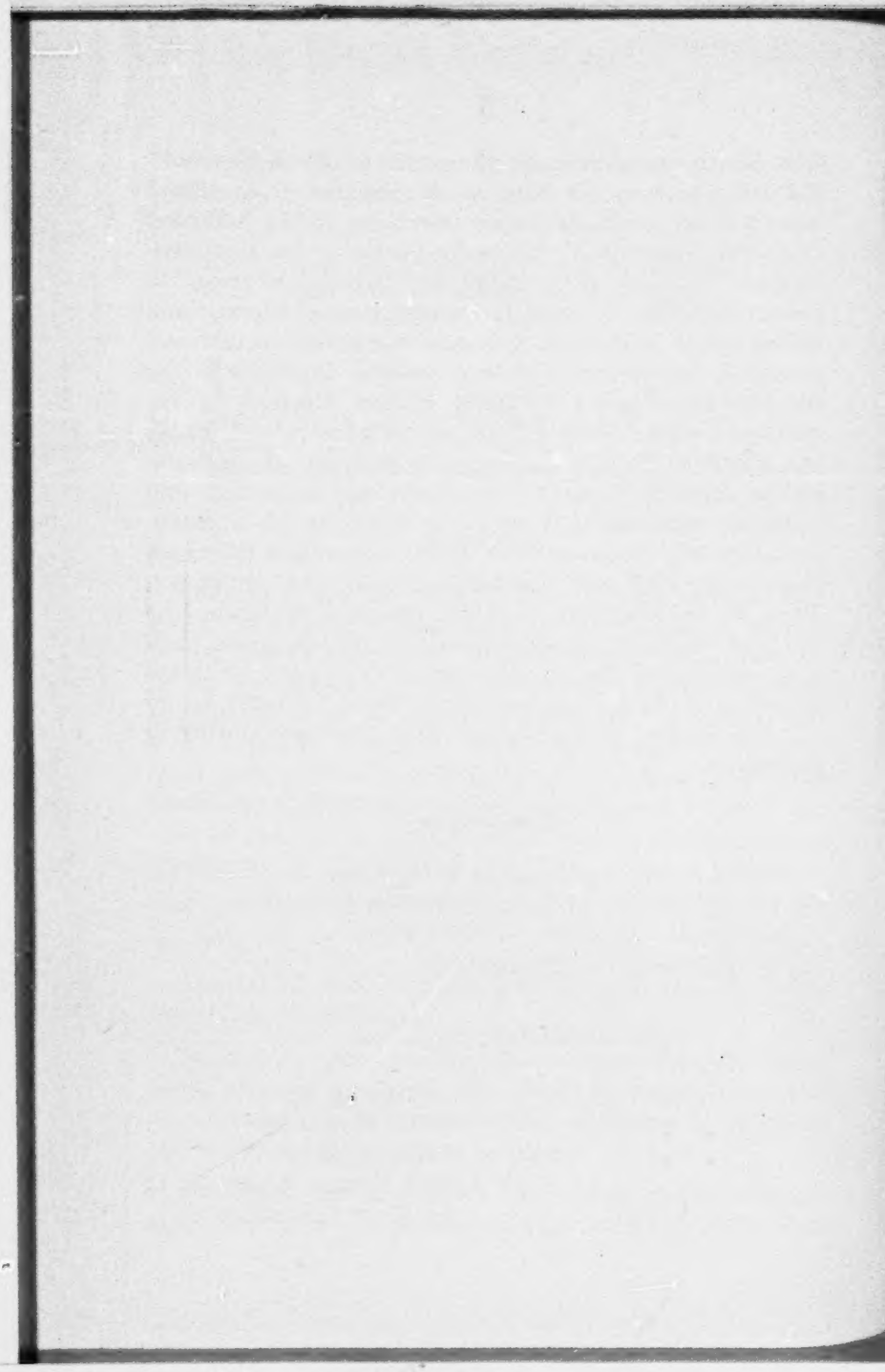

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

HARTFORD-EMPIRE COMPANY, *et al.*,
Appellants,
v.
UNITED STATES OF AMERICA,
Appellee.

No. [redacted] 2

Appeals from the District Court of the United States for the Northern District of Ohio, Western Division.

REPLY BRIEF FOR HARTFORD-EMPIRE COMPANY AND THE INDIVIDUAL DEFENDANTS ASSOCIATED THEREWITH.

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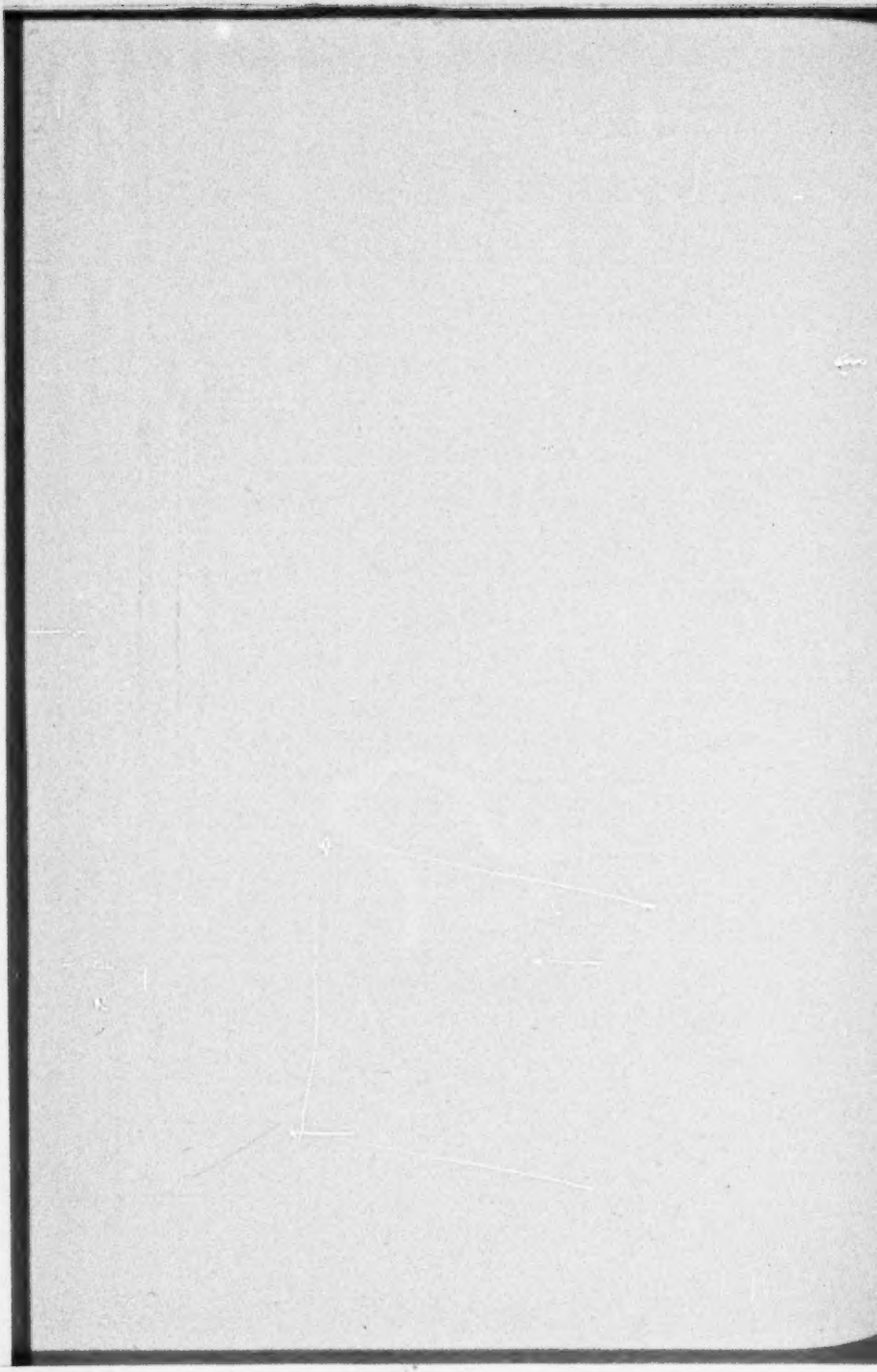

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

HARTFORD-EMPIRE COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee.

No. 7.

Appeals from the District Court of the United States for the Northern District of Ohio, Western Division.

REPLY BRIEF FOR HARTFORD-EMPIRE COMPANY AND THE INDIVIDUAL DEFENDANTS ASSOCIATED THEREWITH.

Introduction.

In deference to the announced objectives of the Government in bringing this test case, the Hartford main brief has discussed the broad policy issues here presented.

The instant reply brief will deal, in contrast, with the specific contentions advanced in the Government brief. Necessarily we cannot here demonstrate the error of all of these contentions. Those contentions particularly stressed by the Government, however, will be treated herein.

I.

Hartford Owns Valid Dominant Patents.

Government contention.

The Government is asserting in its brief, in effect, that the Hartford settlement and license agreements were and are invalid because premised upon invalid gob feeding patents which were obtained by unlawful means from the Patent Office.

The Government states that the Hartford patents are "unenforceable" because obtained by unlawful means (pp. 193 and 227), that Hartford would not be collecting royalties but for "patents unlawfully procured" (p. 197), that there are grave doubts as to Hartford's "good faith" in asserting that it possesses dominant patents (p. 215), that Hartford has "no right to enforce" patents obtained under the circumstances of this case (p. 345), that the Hartford patents are the "consequences" of an illegal conspiracy (p. 346), and that Hartford through illegal practices had "rendered" the patents unenforceable (p. 360).

The Government in other words is asserting that Hartford's patents are unenforceable—not because they were validly issued and thereafter misused—but because they never would have been issued at all but for the alleged unlawful acts.

The Government summarizes its assertions—to the effect that Hartford's patents are fake patents which never would have been issued but for unlawful acts—by stating at page 345 of its brief that appellants are:

> "• • • exacting tribute from the public for their past unlawful acts. This burden *would never have*

been imposed if it had not been for the conspiracy'' (p. 345).*

Hartford answer.

Hartford sought below on repeated occasions to introduce evidence that Hartford had invented gob feeding, that its inventions thereon were basic or dominant, that it was entitled to patents on those inventions regardless of any agreements with other defendants, that the primary purpose and effect of its patent acquisitions was to speed the issue of its patents through the dissolution of interferences and to free those patents from the blocking rights of others, and that in all respects its patents were valid.

The Government on each and every occasion objected to this evidence. It reiterated that it was attacking the Hartford settlement and license agreements and introducing evidence on Hartford Patent Office practices solely on the theory that those agreements and practices constituted anti-trust violations—and not on any theory that the patents involved were not dominant or were thereby invalidated.

The Government generally conceded that the Hartford gob feeding system was the best in the world:

> "Mr. Isseks: We will stipulate that the Hartford system is wonderful. It is the best system in the world. The best equipment, marvelous equipment. We will go on record and put it in writing that they have the best feeder in America. Lynch won't agree on formers, so we can't stipulate that" (Stip., R. VI, 4467).

The Government then unequivocally stated that it did not deny that Hartford was the first or *dominant* gob feeder inventor:

---

* Italics ours herein.

"Mr. Isseks: * * * My understanding of the issue before Your Honor is whether or not there has been an illegal or a legal aggregation of various patents and applications. That is my understanding of the issue. *It is not whether or not Hartford was first or dominated*" (R. VI, 4409).

"Mr. Isseks: * * * I do object to the truth of the statement in here where the witness says they will get out 'a patent which will really dominate the Miller feeder like it will the other type feeders'. *That, I understand, was not an issue in this case*" (R. VII, 5028).

The court below accordingly ruled that Hartford did not need to prove that it was the first or dominant gob feeder inventor, and excluded evidence thereon:

"Mr. Isseks: I still insist, and I want to make it clear, that there are opinions expressed here as to domination of claims. If that opinion is being * * * offered for the truth of the domination of one over the other, we do object, because that is not an issue in this case.

"The Court: *I will sustain the objection*" (R. VII, 5039).

The Government likewise stated repeatedly that it did not deny that the Hartford gob feeding patents were *valid*:

"[Mr. Apsey] As early as March 11th, Mr. Isseks, in colloquy with respect to the Clarke Article, which occurred at Page 581 of the record, stated that we did not question the patents of the defendants. That has been our position and will continue to be our position, if this evidence is excluded, as we believe it should be. *We think, although such evidence might be admissible in a patent suit, this is not a patent suit*" (R. VI, 4287).

"[Mr. Isseks] If the validity of the patents is put in issue, the government may take further steps; but

we are going to make a strenuous opposition to any question going to the validity of the patents. *It is not the purpose of the complaint as drawn, the answers as pleaded, or the evidence and proof as we have submitted it''* (R. VI, 4288).

The court below accordingly ruled that Hartford need not prove that its gob feeding patents were valid, and excluded evidence thereon:

> "Mr. Isseks: I assume your Honor is not taking any of this testimony on the issue of prior art, validity or infringement of patents?
>
> "The Court: *That is right''* (R. VIII, 5632).

The Government indeed expressly stipulated below that it was objecting to the admission of *any* evidence—on the ground that it was unnecessary and immaterial—in so far as it bore on:

> "(a) the validity of any patent or patents;
>
> "(b) the propriety or impropriety of any award of priority in any interference case;
>
> "(c) the dominance of any structure, machine or method by any patents;
>
> "(d) the infringement of any patent by any structure, machine or method'' (R. VIII, 5634).

The Government further stipulated:

> "(a) That plaintiff does not and will not, in this suit, contest or question the validity of any patent or patents and *that it is not necessary for said defendant to offer any evidence to support the presumption of validity of any patent or patents;* and
>
> "(b) That plaintiff does not and will not, in this suit, contest or question the correctness or propriety of any award of priority by the United States Patent

Office in any interference, and *that it is not necessary for said defendants to offer any evidence in support of said awards*" (Stip., R. VIII, 5635).

The Government admittedly reserved the right to introduce evidence of defendants' Patent Office practices to show anti-trust violation, but expressly stated that this right was *not* reserved for any other purpose, as e. g. to show patent invalidity or unenforceability. *All evidence introduced by the Government was so limited in purpose:*

> "*For the purpose of showing combinations or restraints in the Patent Office in violation of the anti-trust laws,* the government reserves the right to show methods employed in the Patent Office by the defendants * * *.
>
> "And to make it clear, plaintiff * * * reserves the right to show the methods or proceedings employed in the Patent Office, which it contends were in violation of the anti-trust laws, as, for example, how awards of priority were obtained, lost or abandoned, but *not for the purpose of establishing the incorrectness of any award* * * *
>
> "So that there may be no misunderstanding, the government—*not in this case* but in other cases—may *attack the correctness of the issuance of any patent*" (R. VIII, 5636-7).

We respectfully submit that the Government is not entitled to try this case below on the theory that Hartford is the owner of basic, valid patents and now claim the contrary on appeal.

Virginian Ry. v. *Mullens,* 271 U. S. 220:

> "After bringing and trying the case on that theory the plaintiff cannot be permitted on this review to change to another which the defendant was not required to meet below" (p. 227).

Accord:

Peck v. *Heurich*, 167 U. S. 624, 628;
Seney v. *Swift & Co.*, 260 U. S. 146, 149;
Van Huffel v. *Harkelrode*, 284 U. S. 225, 229.

Clearly when Hartford offered to prove that it is the owner of valid basic patents, and this evidence was objected to as not denied and was accordingly excluded, these facts must here be assumed to be true.

Tilley v. *County of Cook*, 103 U. S. 155:

"The offer * * * to prove certain facts having been rejected, he must be presumed to be able to prove what he offered to prove" (p. 163).

Scotland County v. *Hill*, 112 U. S. 183:

"* * * an appellate court must assume that the proof could have been made, and govern itself accordingly" (p. 186).

In any event the Government certainly is not entitled to attack the validity of Hartford's patents in view of the fact that a number of them—not the "one" referred to by the Government—have been sustained as valid by the courts (Stip., Ex. 973, R. XI, 8023-5).*

---

* This brief, like our main brief, sets forth in the Appendix a tabulation of the exhibits cited, indicating (1) the number of each exhibit cited, (2) where offered in evidence, (3) where received in evidence, (4) where physically printed and (5) where referred to in this brief.

II.

Hartford in Securing Its Patents Did Not Violate the Anti-Trust Laws.

Government contention.

The Government asserts that even if the Hartford settlements and licenses are premised upon valid and dominant patents, nevertheless those settlements and licenses were and are unlawful because of alleged violations of the anti-trust laws by Hartford in the Patent Office.

The Government has listed a number of alleged Hartford Patent Office practices in an attempt to substantiate this contention.

Hartford answer.

The record clearly demonstrates that all Patent Office practices of Hartford were motivated by a *bona fide* belief that Hartford was entitled to the patents which it was seeking (R. II, 815; R. III, 1932-3).

The Government does not contend that those Patent Office practices of Hartford resulted in the award of invalid patents, *i. e.* patents to which Hartford was not entitled (Stip., R. VIII, 5635).

We submit that action thus taken in good faith—which resulted in Hartford obtaining only patents to which it was entitled—cannot be considered a violation of the anti-trust laws or cause the invalidation of all settlements and licenses theretofore or thereafter entered into.

This is particularly true when those Patent Office practices of Hartford in no wise merited the comments thereon of the Government brief. For with one exception not material in this case, namely the Clarke Article hereinafter discussed, those practices insofar as engaged in by Hart-

ford, in its struggle to obtain its lawful patent rights, constituted the use of normal and proper procedures available in the Patent Office. This, as summarized in *Chapman* v. *Wintroath*, 252 U. S. 126, quoting in turn from a prior case, was not unlawful:

> " 'A party seeking a right under the patent statutes may avail himself of all their provisions' " (p. 137).

We will briefly treat, in the following pages, certain of these Hartford Patent Office practices complained of by the Government.

Hitchcock demonstration.

The Government initially objects that a so-called Hitchcock demonstration of Hartford proved certain Hitchcock patents to have disclosed gob feeding and that Hartford suppressed this information.

The Hitchcock demonstration occurred prior to the Hartford gob feeding settlement with Owens in 1924. At that time Owens was suing Hartford upon two issued Lott patents and was threatening to enjoin all use of all Hartford feeders (R. VIII, 6048).

The Lott patents involved in this suit related to the old process of stream feeding—a very inferior predecessor of Hartford's gob feeding (R. VI, 4317). Features of the Lott patents, however—while *not* covering gob feeding—were necessarily used in Hartford's gob feeders, and Owens sought by these blocking patents to control or at least block the use of Hartford feeders (R. IX, 6463; R. III, 1932-3, 2296-7).* Hartford accordingly, in meeting that suit, had to adopt one of two alternatives: (a) to defend the suit by

---

* Despite the Government's contentions to the contrary, Hartford has never thought these Lott patents to be other than as above stated (R. V, 3794; R. VI, 4716; R. VIII, 6045, 6185).

attacking the Lott patents, or (b) to settle with Owens and thereby unblock the Hartford feeder.

Hartford eventually decided, as we have pointed out in our main brief, that it had no reliable defense to Owens' claim that the Hartford feeder infringed the more important of the Lott patents—namely the so-called "Baby" Lott (R. VIII, 6047-9). For this reason Hartford finally settled with Owens (R. VIII, 6050).

Hartford for a time contemplated, however, the use of certain earlier Hitchcock patents as a defense against the second or "Big" Lott patent, and it was while Hartford was considering the making of this defense that it held the Hitchcock demonstration (R. V, 3791-2). Owens was claiming that "Big" Lott—although relating to a *stream* feeder —*could* be operated as a suspended charge feeder, and had demonstrated a so-called Lott pneumatic device in 1920 with which it was able to simulate gob feeding *by making considerable changes in the structure and method of operation* (*id.*). Hartford never believed that Lott could so operate but contended that, if it could, the disclosures of the Hitchcock patents—which were earlier in date—were as adaptable as Lott to produce suspended charges *with the addition of considerable changes* (*id.*).

Hartford accordingly constructed a device using the Hitchcock disclosures *and added thereto changes and departures* to make it operate as a suspended gob feeder (*id.*)* This device was demonstrated to Owens (R. V, 3790).

Owens, after viewing the demonstration and being shown the construction of the device, was divided into two camps (Ex. 613, R. XX, 13237; Exs. O-6060-1, R. XXVIII, 16190A,

* The merits and importance of the additional inventions combined with Hitchcock in the device were not considered by the court below, under its ruling that such matters were immaterial (R. VI, 4502).

16191). One Owens camp thought that the demonstration indicated Hitchcock to have anticipated Big Lott—although of course still confident of the strength of the Baby Lott to block the Hartford feeder (Ex. 613, R. XX, 13238). The other Owens camp denied that the device demonstrated was a permissible embodiment of Hitchcock—and was confident that both Big Lott and Baby Lott would be able to block the use of the Hartford feeder (Exs. O-6060-1, R. XXVIII, 16190A, 16191).

As we have stated, Hartford finally settled the infringement suit brought by Owens on the Lott patents—along with its other controversies with Owens—because it was unable to find any adequate defense to the Baby Lott patent. Accordingly, as part of this settlement, Hartford agreed to the entry of a consent decree in the infringement suit—acknowledging what the Hartford attorneys were afraid the court would hold—namely, the validity of Lott as covering valuable parts of the Hartford feeder (Ex. H-5423, R. XXV, 15162).

The Government's sole claim below with respect to this Hitchcock demonstration was that such demonstration had somehow proven Hitchcock to be the inventor of gob feeding and that the facts of the demonstration were not disclosed to the court in the infringement suit when Hartford agreed to the consent decree. The Government did not claim that the facts of the demonstration device were not subsequently revealed in other proceedings. The Government stated:

> "Mr. Isseks: • • • Now they [defendants] claim and put in proof here, Your Honor, indirectly by putting in various records, that at some subsequent time it was brought out that there was such a demonstration. We are not offering any evidence to contradict there was such proof later on. We claim the various

documents we put in for the first time show their state of mind and failure to disclose it to the Court in Pittsburgh when they made that consent decree. That is our position" (R. IX, 6523).

The answers to this Government claim are these:

The Hitchcock demonstration involved a contemplated Hartford contention—not a "proven" fact. Hartford was warning Owens of a possible argument it might make. The demonstration never proved one way or the other whether Hitchcock—built and operated in accordance with the literal Hitchcock patent disclosure—could operate as a suspended charge feeder, because the device there demonstrated was Hitchcock *plus considerable changes and departures.* Accordingly, since the demonstration had not proven any fact, there was no necessity to disclose it at the entry of the consent decree.

The Hitchcock demonstration moreover constituted a contention which had been abandoned by Hartford before the entry of the consent decree. The court certainly was not interested in discarded contentions proving nothing.

Whether Hartford was or was not *in fact* the inventor of gob feeding of course could not have been "concealed" from the court or from anyone even if Hartford had wanted to. The Hitchcock patents were widely known, and whether they disclosed gob feeding in any form or could operate as such was readily determinable from the best possible source —i. e. the Hitchcock patents themselves (Exs. H-5221-2, R. XIV, 10218-32). Various parties who opposed Hartford themselves conducted Hitchcock demonstrations in patent proceedings along the lines of Hartford's demonstrations (Ex. H-5230, R. XVIII, 12164).

The Government tries to color this picture by mentioning that Owens advised Hartford against contending that

Hitchcock could operate as a gob feeder, because this would end Hartford's chances of obtaining patents on certain of its gob feeding inventions (Ex. 613, R. XX, 13237). Owens pointed out that if Hartford should finally decide to defend the infringement suit by use of its Hitchcock demonstration "concessions and contentions", those "secrets of the charnel house" would be used by "others" *as an estoppel or admission* against Hartford in the interference proceedings —thereby weakening Hartford's right to the issue by the Patent Office of an "iron-clad" patent monopoly on its gob feeding inventions (Ex. H-5847, R. XXVII, 15496).

Hartford decided finally not to advance the Hitchcock contentions in the infringement suit. Hartford had no wish to press contentions respecting Hitchcock in the Lott suit which would operate as an admission and thereby weaken its important patent position in the Patent Office (Ex. H-5006, R. XXIV, 14695).

Hitchcock of course as a matter of fact and law did not invent gob feeding and the courts—with knowledge of the numerous Hitchcock demonstrations conducted both by Hartford and others—have so held (for decision, see Stip., Ex. 973, R. XI, 8023-5).

Settlement of interferences.

The Government next objects to the fact that Hartford, when faced with the necessity of dealing with the Owens' blocking and complementary inventions, including the Lott patents, settled the various interferences arising from the overlapping of Hartford and Owens inventions.

But parties in patent interference, as in court litigation, normally settle their conflicts by settlement, and the courts emphatically approve of such settlements. For such set-

tlements have the advantage of disposing of costly and burdensome interference proceedings between the parties, while at the same time not precluding third parties from attacking in the courts the validity of any patents subsequently issued.

The Patent Office, by Rules 107 and 125 of its Rules of Practice, specifically authorizes parties to terminate interferences by conceding priority to one of such claimants.

In *Eck* v. *Kutz*, 132 Fed. 758 (C. C. E. D. Pa.), plaintiff successfully sued for infringement of a patent issued following the settlement of interferences involving two other inventors—Roe and Burleigh—who obtained licenses in part consideration for the settlement. The court referred approvingly to this procedure (p. 772).

In *Shoemaker* v. *Merrow*, 61 Fed. 945 (C. C. A. 3rd), the court similarly noted, without the slightest indication of disapproval, that two rival inventors—Merrow and Munsing—had settled their interference on the basis of an affidavit submitted by one—the losing party being granted an exclusive license as part of the settlement (p. 947).

The settlements of interferences would only be considered objectionable if as a result thereof invalid patents were issued which otherwise would not have issued. Cf. *Julius Kayser & Co.* v. *Rosedale Knitting Co.*, 98 F. (2d) 839 (C. C. A. 3rd), certiorari denied 305 U. S. 649; note also *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S., 240.

In the instant case the Hartford patents are indisputably valid (Stip., R. VIII, 5635).

Stacking the cards.

The Government states that Hartford and Owens, once they agreed to settle their patent interferences, "shifted",

"stacked" and generally "arranged in proper order" the respective claims of the parties.

There is no question but that the parties carefully reviewed their respective claims to insure that the inventors first in priority were duly credited with their inventions (R. VI, 4399-4400; R. VII, 4921-2; R. VIII, 6050-2). For if the parties had not arranged their claims in proper order, so that the inventors first in priority obtained the proper patents to which they were entitled, the patents subsequently issued would have been void. Cf. *United Chromium, Inc.* v. *General Motors Corp.*, 85 F. (2d) 577 (C. C. A. 2nd).

The Government does assert at page 238 of its brief that the claims were allocated in order to achieve the greatest good to the "pool"—rather than an honest judgment as to the merits of the inventions involved.

This contention, however, flies squarely in the face of the Government stipulation below. The Government blocked the introduction by Hartford of evidence showing in detail the accuracy with which the claims were allocated, by entering into the following stipulation approved by the court:

> (a) The Government first objected to the introduction of any evidence by Hartford bearing on:
>
> "(b) the propriety or impropriety of any award of priority in any interference case" (R. VIII, 5634).
>
> (b) The Government then expressly stipulated:
>
> "(b) That plaintiff does not and will not, in this suit, contest or question the correctness or propriety of any award of priority by the United States Patent Office in any interference and that it is not necessary for said defendants to offer any evidence in support of said awards" (R. VIII, 5635).

Number of interferences.

The Government next criticizes Hartford because, once it began to settle with the various conflicting parties in interference with it, Hartford did not immediately elect in which of several applications claims common to them belonged—thus reducing the number of interferences involved.

The Government seems to want it both ways. Hartford is condemned for electing between the conflicting interference claims of Hartford and Owens; and yet it is also condemned for failing to elect between the claims of Hartford and others.

Actually Hartford made its elections as soon as it had before it all available facts (R. VIII, 6050-2; R. V, 3877-8). When Hartford was in the midst of heated interference proceedings with third parties, it naturally was loath to gamble on which of the claims was entitled to issue in a patent before a thorough knowledge of the facts as to all claimants. Once it was safe to make its elections, Hartford did so.

It must be remembered that the Patent Office alone declares interferences. The most that the Government can properly charge is that Hartford did not abandon patent claims—and sacrifice its rights therein—as promptly as the Government believes it should have done. But the antitrust laws scarcely require an inventor—gratuitously—to surrender patent rights.

The Government at page 70 of its brief criticizes a Dorsey affidavit, with respect to dissolving an interference, for stating that Hartford did not control Lott, and that Owens did not control Peiler, Howard or Steimer (Ex. H-5259, R. XV, 11385). The record demonstrates that

Hartford neither then nor at any time controlled the Patent Office proceedings regarding Lott, nor did Owens have such control of the others. Each merely had certain license rights thereunder (Ex. 55, R. XXII, 8629).

Delays.

The Government also refers to delays in the Patent Office allegedly attributable to Hartford. The Government, however, gives the answer to this delay when it notes on page 87 that there were 138 interferences.

Hartford on occasion sought time in which to weigh this mass of conflicting claims and to study the voluminous evidence involved in order to protect its inventions adequately (e. g. Ex. 1909, R. XXIII, 14554; R. VI, 4068-9). Hartford also pressed more actively some claims than others, when it seemed advisable. Other claimants in the Patent Office opposing Hartford were doing the same thing—only more so (See e.g. H-5481, R. XXVI, 15233, 15238-9; R. VII, 5009; R. VIII, 6060).

One fact however should be clearly understood. *Hartford sought vigorously, continuously and against enormous opposition to have patents issued upon its basic inventions as promptly as possible* (R. II, 815, 1447; R. VII, 4897, 5007-9; R. VIII, 6057-60; Ex. H-5481, R. XXVI, 15233, 15238-9; Ex. H-5239, R. XV, 11321, 11337-40). Hartford had to secure these patents in order to be able to protect itself against infringers.

Hartford, moreover, never sought nor obtained any adjournment or postponement other than in strict accordance with Patent Office procedure. The statement of Commissioner Coe on the legality of the delay in the issue of the so-called Steimer patent of Hartford is here illuminating:

"It was a perfectly normal procedure. I won't criticize it as something that shouldn't have happened, because it is the way the rules are made today. We do think that that is a condition which should be corrected" (T. N. E. C. Hearings, Part 3, p. 854).

Traps.

The Government seeks to substantiate its claim of delaying tactics on the part of Hartford through asserting at pages 90-91 and 238 of its brief that Hartford filed "trap applications" and thereby harassed opposing parties in interference proceedings.

The record however demonstrates that on *one* occasion—and *one* only—nineteen years ago—Hartford contemplated filing a "trap application" (Ex. 1675, R. XXII, 14100A).

The record also demonstrates that Hartford on further thought *did not file any such application* (R. VI, 4062-3).

Motions.

The Government also attempts to substantiate its claim of delaying tactics by Hartford through asserting that Hartford filed delaying motions in interference proceedings in order to harass Headley & Thompson.

The record once more demonstrates that—although Hartford *once* considered filing such motions—Hartford *finally decided against such procedure and did not file any such motions* (R. VIII, 6068-9; Exs. H-5509-10, R. XVI, 11610, 11625).

Blocking and fencing.

The Government further seeks to condemn Hartford's Patent Office practices by quoting from a memorandum of

a former Hartford employee with respect to "blocking and fencing".

This memorandum sought to deal with the question of when it was worth while for Hartford to take out patents on its own inventions—once its research staff had developed them. The portion of the memorandum from which the Government quotes states the question presented as follows:

> "The question here is: How far should we go in prosecuting inventions to patents, beyond those inventions which clearly cover machines in commercial use" (R. XIX, 12968).

The memorandum then advised that it was worth while for Hartford to take the trouble to patent its inventions—when not directly covering Hartford machines—under the following conditions:

> (a) If the invention "blocked" others it was worth while to take out a patent, because:
>
> > "To ignore this form of protection may result in a competitor's having an estoppel or hold on our own developments" (R. XIX, 12968).
>
> (b) Likewise if the invention "fenced in" improvements of competing machines it was worth while to take out a patent, because—
>
> > "Many • • • examples can be cited where applications now owned will have a distinct bearing on our future developments, as well as on developments in many lines by others, and it would seem to us to be the wisest and safest policy to protect all ideas which are so new as to have patentable possibilities" (R. XIX, 12971).

We submit that the advice thus given to Hartford was clearly proper. Assume, as the writer of the memorandum

did, that certain inventions have been made and submitted for advice on the question of which should be patented. One certainly could not advise that any inventions capable of blocking or fencing—and thereby giving the company a valuable and necessary competitive advantage—should be gratuitously abandoned.

Hartford, the record clearly establishes, never "blocked" or "fenced in" competitors maliciously. When patents were taken out, it was to protect Hartford's existing and future development alone (R. VII, 4793-5).

Howard and Miller affidavits.

The Government also mentions that Hartford, in order to set forth the facts in patent proceedings with respect to the Howard and Miller inventions, which inventions Hartford had purchased, obtained affidavits from those inventors and submitted them.

But how could Hartford have introduced those facts except through the affidavits of these parties? They alone knew the facts and could swear to them.

If the affidavits were erroneous or had suppressed facts, they naturally would have been improper. *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240. The record, however, is barren of any indication of such improper conduct—and accordingly the procedure followed was both reasonable and permissible. Cf. *Shoemaker* v. *Merrow*, 61 Fed. 945 (C. C. A. 3rd).

The Government does claim that the Howard affidavit was filed after Hartford had purchased the Howard applications without disclosing such purchase. The record, however, demonstrates exactly the contrary—namely, that *as early as January 1923 Hartford had advised the Patent Office by affidavit that it controlled the Howard*

application (Ex. H-5259, R. XV, 11320). Incidentally there was no inconsistency between this affidavit (Ex. H-5220, R. XVII, 11937) and an earlier Howard affidavit (Ex. H-5260, R. XV, 11305), because the two related to *different* dates on *different* inventions.

We might add that Miller and Howard were called as witnesses against Hartford in later infringement suits and were examined at length—without the slightest shadow being thrown on the validity and accuracy of their affidavits (Ex. H-6168, R. XXVIII, 16376; Ex. 6167, R. XXVIII, 16361).

Clarke Article.

The Clarke Article (R. XVII, 11893; R. XXIV, 14851), referred to so frequently by the Government, was a short published story of the introduction of automatic machinery in the glassware industry, initially drafted by a Hartford employee Hatch—mainly from proceedings of the bottle blowers' union—then checked, sponsored and adopted by William P. Clarke, President of one of the glass workers' unions, and later filed by Hartford with a mass of other documents in the Patent Office in connection with one of its patent applications and once referred to by Hartford in one of its infringement suits.

The Government has on appeal relied so heavily upon the Clarke Article episode that it may be informative to this Court to realize the limited part it played below. When the Article was introduced the Government expressly represented that:

> "Mr. Isseks: Your Honor, we are not here making any attack upon any patent" (R. II, 901).

When Hartford offered to prove that the Article correctly stated the facts, the Government denied attacking

the correctness of the Article and the court below accordingly excluded the evidence:

> "The Court: I will say to counsel that I am not interested at all in the Clarke article with reference to any influence that it may or may not have had in the Patent Office on the issuing of the patent. If that Clarke article, if counsel maintains and is prepared to show that this Clarke incident has some bearing on the maneuvering that was participated in, or claimed to be participated in, prior to the merger or agreement between Hazel-Atlas and Hartford-Empire and the Owens Company, then he may show it for that purpose.
>
> "Mr. Isseks: That is the only purpose we want it for. We are not trying to show the patent is invalid" (R. II, 902).

The great emphasis which the Government now gives to the Clarke Article—as invalidating certain of Hartford's patents—is a far cry from the Government's stipulations below.

In legal proceedings today it is customary for attorneys to prepare affidavits for persons whose written testimony is desired—which persons, after checking over the attorney-prepared drafts, sign. The Clarke Article was prepared by a Hartford attorney from union minutes—and was signed, after careful checking, by Clarke (R. IV, 3093, 3102; R. V, 3190, 3194-5; Ex. H-5146, R. XXIV, 14850B; Ex. H-5160, R. XXIV, 14862). Hartford believed that when Clarke carefully checked the ghost-written article, revised it where he considered it erroneous, and then adopted it as his own—that the article thereby became Clarke's. It now seems clear that Hartford would have exercised better judgment if it had gone through exactly the same procedure it followed, but had used it as Clarke's "Affidavit" instead of his "Article".

The Government quotes from two letters (Ex. 1277, R. XXI, 13871; Ex. 137, R. XIX, 12653) from which the Government infers that the Article was false and known to be false. The complete answer to this grave charge is that—

(a) Hartford had the Article *corrected* after the two letters were received, because—despite the Government's attempts to infer the contrary—it desired the Article to be strictly accurate (R. V, 3214); and

(b) Hartford during the trial challenged the Government to take issue with the facts of the Article, sought to introduce evidence that the facts of the Article were painstakingly correct, and was met with the Government's concession that it *was not denying* that the Article was factually correct (R. II, 901-903).

How can the Government infer that the Clarke Article was in any way inaccurate, when the court below on the Government's objection excluded Hartford's proof that it was accurate?

"The Court: I am not going into any question pro and con as to the truthfulness or untruthfulness of the Clarke Article.

"Mr. Isseks: I would like to adopt Your Honor's suggestion. We are offering it solely to show the maneuvering of Hartford and Owens" (R. II, 903).*

The Government also seeks to give a serious turn to the Article by charging that Clarke was paid during the Hazel-Atlas litigation in 1932 to "prevent Hazel-Atlas from learn-

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* Actually certain uncontradicted evidence, admitted for a limited purpose, does show the truth of the Clarke article (R. V, 3211, 3214; R. VII, 5289), and its truth is further established by Exhibits H-5155, H-5156 and H-5160 (R. XXIV, 14861-3), to the exclusion of which Hartford has assigned error (Assignment 48, R. X, 7727).

ing the facts" of the Article. We greatly resent this charge. The record demonstrates that the Hazel-Atlas litigation was settled by the 1932 agreement *before* any question of paying Clarke anything was discussed or even mentioned (compare Ex. 141, R. XIX, 12662 with R. IV, 3124-5, 3128). The record further demonstrates that when the question of paying Clarke anything did arise, it arose because Clarke—who had done a considerable amount of work for Hartford in the past—had *just lost both his position as president of a union bank* by reason of the bank's failing during the depression and also *his position as union president* (R. IV, 3112-14). Hartford gave Clarke paying employment in order to tide him over that emergency (R. IV, 3125-6, 3132). Does the Government claim that because Clarke had signed a ghost-written article six years before, Clarke was disqualified from receiving any assistance in such an emergency?

Note that this assistance to Clarke occurred *months* after the decision of the Circuit Court of Appeals in the *Hazel-Atlas* case (R. IV, 3124-5, 3128).

We might add that there is nothing to show that the Clarke Article (or any of the several other publications filed in the Patent Office along with it) had any effect whatever in procuring the allowance of the particular patent involved —namely the Peiler "stuffing" patent. The evidence is to the contrary; for the Peiler application was rejected by the Patent Office *three times* after the Clarke article was filed in October, 1926 (Ex. H-5220, R. XVII, 11886)—twice by the Primary Examiner (Ex. H-5220, R. XVII, 11861, items on pages 306, 319) and once by the Board of Appeals (*id.*, R. 11923-8). The Peiler application was finally allowed on wholly different grounds, viz., proof of Peiler's priority over Howard (Ex. H-5220, R. XVII, 11941-2).

Nor did the Clarke Article procure or affect the judgment of the Third Circuit Court of Appeals in *Hartford* v. *Hazel-*

Atlas, as the Government contends (p. 100). That court itself says it did not (137 F. (2d) 764, 769-1943):

> ". . . what was held in the *Hazel-Atlas* case was the court's independent judgment *regardless of the Clarke article.*"

Infringement suits.

The Government finally charges that Hartford, with the assistance of Owens after the 1924 settlement agreement, sought vigorously to push through its patent applications and thereafter to proceed by suit and by purchase against infringers.

This contention, of course, is obviously inconsistent with the claim of the Government previously noted, to the effect that Hartford delayed the disposition of its patent applications.

This contention moreover sets forth no violation of law. The assistance of Owens was obviously proper. Owens' non-competitive blocking inventions and patents were in interference and were infringed along with Hartford's; Owens' royalty income—derived from Hartford licensees—was similarly affected; Owens' licensed manufacturing activities were injured by unlicensed competition. If it was permissible for these *non-competitive* companies to settle their disputes as to *non-competitive* inventions (see Hartford main brief at pp. 31-35 and 89 *et seq.*), it was clearly permissible for the two companies to cooperate to push through their patent applications and sue infringers. In *Davis* v. *A. H. Reid Creamery & Dairy Supply Co.,* 187 Fed. 157 (C. C. E. D. Pa.) aff'd 195 Fed. 80 (C. C. A. 3rd), the court expressly approved an agreement whereby a licensee actually brought infringement suits on behalf of its licensor at its own expense—being reimbursed out of royalty payments—the court noting that the licensee was:

> "• • • damaged like any other licensee by the infringement, and directly interested in the restraining of the infringement" (p. 158).

The infringement suits, it should be pointed out, were all brought in the bona fide belief that the Hartford and Owens patents were infringed. The Government expressly conceded that:

> "On the question of these infringement suits, we did not allege in the complaint nor did we charge that the suits were brought in bad faith" (R. VI, 4293).

Under such circumstances the suits were entirely proper. As ruled in *Patterson* v. *United States,* 222 Fed. 599 (C. C. A. 6th), certiorari denied 238 U. S. 635—cited by the Government:

> "If such suits were brought in good faith and were the cause of the competitor's selling out, then the tendency of that evidence was not to establish such a generic conspiracy" (p. 643).

See also:

Virtue v. *Creamery Pkge. Co.,* 227 U. S. 8, 37-38 (1913);

International Visible Systems Corp. v. *Remington Rand, Inc.,* 65 F. (2d) 540, 542 (C. C. A. 6th, 1933).

III.

Hartford in Entering Into Settlement Agreements with Respect to Its Patents Did Not Violate the Anti-Trust Laws.

Government contention.

The Government asserts that in any event the Hartford settlement agreements were and are illegal *per se.*

In support of this contention the Government cites numerous cases, and claims that these cases are controlling.

Hartford answer.

The cases cited by the Government in no wise deny, and in most instances explicitly rule, that agreements relating to *non-competing* inventions and patents of the Hartford type are permitted under the anti-trust laws. Such agreements are found not to be in restraint of trade because there could not be a restraint of competition between non-competing patent rights.

The following analysis of four of the principal Government cases is illuminating:

In *Standard Oil Company* v. *United States,* 283 U. S. 163, the leading case cited by the Government, cross-license agreements relating to *competing* patented processes for cracking gasoline were attacked by the Government. This Court in connection with these licenses made the following rulings—

(a) The Court ruled that the patented processes were competing:

> "In the case at bar, the primary defendants own competing patented processes" (p. 175).

(b) The Court thus ruled because, unlike the situation in the *Hartford* case, there were no dominant patents which were blocked by complementary patents:

"* * * the phenomenon of cracking gasoline was not controlled by any fundamental patent" (p. 167).

(c) The Court also thus ruled because, unlike the situation in the *Hartford* case, the patents involved were all independent, alternative patents which the court below had found:

"* * * might be practiced without infringement of adversely owned patents" (p. 181).

(d) The Court therefore ruled that the cross-licenses under such competing patents would be illegal, if industry domination resulted, unless:

"* * * available advantages are open on reasonable terms to all manufacturers desiring to participate" (p. 171).

(e) The Court, however, in discussing the Hartford type cross-license agreement whereby a basic patent owner obtains rights to blocking or complementary patent rights, approved this type of agreement without adding any qualifying statement concerning any necessity for compulsory licensing. Referring generally to patent deadlocks, the Court stated in a footnote that:

"This is often the case where patents covering improvements of a basic process, owned by one manufacturer are granted to another. A patent may be rendered quite useless, or 'blocked', by another unexpired patent which covers a vitally related feature of the manufacturing process. Unless some agreement can be reached, the parties are hampered and exposed to litigation" (p. 171).

In *United States* v. *Masonite Corporation*, 316 U. S. 265, one of the more recent cases cited by the Government, a

series of license agreements between owners of *competing* products and *competing* patents was likewise attacked. This Court, in condemning the agreements—

(a) Ruled that:

> "In this case, the price regulation was based on mutual agreement among distributors of competing products, some of whom had competing patents" (p. 280).

(b) Inferred however that the agreements involved would not have been invalid if they had been vertical agreements between non-competitors, rather than horizontal agreements between competitors. In the instant *Hartford* case, of course, the agreements are vertical agreements between a research company (Hartford) and licensee manufacturers (other defendants).

In *Blount Mfg. Co.* v. *Yale & Towne Mfg. Co.*, 166 Fed. 555 (D. Mass.), another case cited by the Government, a cross-license agreement between owners of *competing* patents on liquid door checks was involved. In the opinion handed down in that case—

(a) The court found that the contracting patentees did not need to use the patents of each other as complementary parts of their own patented articles:

> "The bill does not aver that the articles made by each company embody features covered by the patents of others" (p. 557).

(b) The court accordingly condemned the agreement because competition between competing patents was suppressed:

> "A contract whereby the manufacturers of two independent patented inventions agree not to compete in the same commercial field deprives the public of the benefits of competition, and creates a restraint

of trade which results, not from the granting of letters patent, but from agreement" (p. 557).

(c) The court carefully stated, however, that a cross-license agreement of the Hartford type, where complementary patents are united into a new article (the gob feeder), would not violate the anti-trust laws:

> "If, as a result of mutual licenses, there is put upon the market an article embodying the inventions of both patentees, so that as the effect of exchange of licenses a new article of commerce is developed, it is doubtful if the public is thereby unlawfully deprived of any of its rights or expectations of free competition" (p. 557).

Finally, in *United States* v. *Motion Picture Patents Co.*, 225 Fed. 800 (E. D. Pa.), appeal dismissed 247 U. S. 524, another Government-cited case, the Government proceeded against a combination of motion picture producers and exhibitors to restrain trade. Certain of the defendants held patents; but the court denied that these patents justified the combination because the agreement was in no wise "limited" to these patents and patentees but embraced *competing* non-patentees.

The court, however, expressly upheld the Hartford type cross-license where the owners of basic and improvement patents unite their non-competing rights:

> "The owner of a patented device, process, or product may undoubtedly acquire from another any issued patents for improvements, and we see no reason to deny the right of the owners of the original patent, and of the patented improvements, to pool their ownerships for their joint or common protection" (p. 810).

Application of Government cases.

We have previously demonstrated in our main brief that the Hartford settlement agreements involved *non-competing* inventions and patents. (See pages 23-25 and 89-93 of the Hartford main brief.)

We have just demonstrated in this reply brief that the Government cases do not condemn settlement agreements involving *non-competing* inventions and patents. (See also pages 96-101 of the Hartford main brief.)

The Hartford settlement agreements, when tested by the principles laid down in the cases cited by the Government, accordingly are clearly valid.

Other objections raised.

The Government raises certain other objections to the Hartford settlements which merit but brief attention.

In the *first* place, the Government complains that the Hartford settlements affected unpatented glassware. The answer to this complaint is that the basic Hartford inventions *covered gob feeding production of glassware.* That was their very nature and scope. Of course, therefore, the settlements relating to the Hartford inventions affected —and were intended to affect—glassware. Settlements involving non-competing inventions on gob feeding—which we have shown to be valid—are hardly rendered invalid because glassware was the subject matter of those inventions.

In the *second* place, the Government complains that the Hartford settlements were made before any of Hartford's patents issued. One answer to this complaint is that Hartford at all times during the transactions here questioned owned some issued patents (Stip., Ex. 973, R. 8017, *et seq.;* R. 7986, *et seq.*) Another answer is that Hartford needed

to protect its licensees using leased feeders from infringement suits brought by others as much before the issue of the Hartford patents as after such issue (*e. g.*, Ex. 1325, §16, R. XIII, 9394). A further answer is that the courts have held that the owners of mutually blocking patent applications are as free to settle their disputes as the owners of mutually blocking patents. In *Standard Oil Company* v. *United States*, 283 U. S. 163, for example, this Court specifically approved of settlements between patent applicants whose claims were blocked by conflicting claims or threatened interference as follows:

> "Where there are legitimately conflicting claims or threatened *interferences*, a settlement by agreement, rather than litigation, is not precluded" (p. 171).

Accord: *Shoemaker* v. *Merrow*, 61 Fed. 945 (C. C. A. 3rd);
Eck v. *Kutz*, 132 Fed. 758 (C. C. E. D., Pa.).

In the *third* place, the Government raises miscellaneous objections which for the most part have been completely answered in our main brief. The answers to certain objections not thus anticipated by us are as follows:

(a) *1916 Empire-Corning settlement:* The Government objects that once Hartford granted Corning an exclusive license in the specialty non-container field, it refused to license others in that field. *Answer:* That is what an exclusive license means. Of course such a license is lawful. *United States* v. *General Electric Co.*, 272 U. S. 476, 489.

(b) *1922 Empire merger:* The Government objects, on the basis of a certain exhibit, that the purpose of this merger was to dominate. *Answer:* The

exhibit states that this domination was to be achieved by "continual improvements in the art and in the design of machines, which would insure the maintenance of leadership" (Ex. 6, R. XVIII, 12370; R. V, 3825). Improvement in business efficiency may be striven for without offense to the anti-trust laws. *United States* v. *United Shoe Machinery Co.*, 247 U. S. 32, 53.

(c) *1924 Owens settlement:* The Government notes that the companies, in seeking to work out the terms of the settlement, attempted first to measure the relative values of the patent rights involved and to draft the agreement accordingly. The parties were in such wide disagreement on values, however, that they finally decided in drafting to pay more attention to the practical commercial considerations of how to stop infringement of Hartford and Owens patent rights by third parties than to any meticulous weighing of "relative patent values". *Answer:* The parties thereby committed no wrong. As this Court stated in *Virtue* v. *Creamery Package Co.*, 227 U. S. 8, 33, a patent settlement directed at infringers is but the lawful assurance of title to valid patents.

(d) *1922-1925 settlements:* The Government objects, on the basis of miscellaneous writings, that Hartford sought the issue of patents to eliminate the competition of Howard, Miller, and Tucker, Reeves and Beatty. *Answer:* These writings when standing alone seem very arbitrary, but take on another character when all the testimony is considered—to adopt the language of *Virtue* v. *Creamery Package Company*, 227 U. S. 8, 35. Hartford was objecting to competition by the unauthorized use of its own inventions, and was properly seeking the issue of patents on its inventions to stop that unauthorized use (R. II, 810-1, 815; Ex H-5259, R. XV, 11321).

(e) *1932 Hazel-Atlas settlement:* The Government objects that Hartford kept this agreement a

secret from others. *Answer:* The Government overlooked the fact that it was Hartford's uniform policy not to disclose any license contract to other licensees (R. VI, 4017; R. VIII, 6097, 6202; Ex. 1742, R. XXII, 14222). Also, in answer to the Government contention that the 1932 agreement was not a settlement of Lott patent rights, see R. II, 908; R. III, 1975-6; R. IV, 2376, 2378; R. V, 3754, 3768-9; R. IX, 6375-8, 6387, 6479; Ex. O-6000, R. XXVIII, 16068, 16073.

(f) *1933 Lynch settlement:* The Government objects that the Lynch and other forming machine settlements were an effort to bolster up an alleged weak feeder situation. *Answer:* The primary evidence relied upon to support this contention is a private memorandum of a Hartford employee (Ex. 320, R. XIX, 12893), who was not a patent attorney, which was never communicated to anyone (R. VI, 4166, 4227) and which was diametrically opposed to the contemporaneous writings of every Hartford patent attorney (Ex. H-5887, R. XXVII, 15552-89; Ex. 309, R. XIX, 12863-7; Ex. 312, R. XIX, 12869-72).

(g) *Thatcher:* The Government objects that Hartford granted an exclusive milk bottle license to Thatcher. *Answer:* Thatcher had an exclusive license for a particular model of machine only. Hartford granted in addition milk bottle licenses to others who used more modern machines (Ex. H-5750, R. XXVII, 15436).

(h) *Ball:* The Government objects that Hartford acquired an unused fruit jar license from General Glass, in order to grant the Ball license. *Answer:* This has been held to be a normal and proper procedure. *Becton, Dickinson & Co.* v. *Eisele & Co.*, 86 F. (2d) 267, 268, 270 (C. C. A. 6th), certiorari denied, 300 U. S. 667.

(i) *Suction:* The Government generally objects that Owens ceased to license suction in competition

with Hartford. *Answer:* Owens had ceased to issue new licenses six years before the Hartford-Owens settlement (R. III, 2295-6).

(j) *Blocking acquisitions:* The Government also generally objects that certain patent acquisitions of Hartford allegedly did not involve "a perfect deadlock", and lists examples (p. 217, footnote 85). *Answer:* Only one of the alleged non-blocking patent acquisitions listed, however, are to be found among those designated as "important" by the Government (p. 163, footnote 47). The one alleged non-blocking patent acquisition designated as "important", namely O'Neill, was in fact a blocking acquisition and the record clearly demonstrates this (see pp. 47-48 of Hartford's main brief). Moreover, if the record is not as clear as it should be that certain Hartford patent acquisitions were of blocking patent rights, the responsibility lies with the Government for objecting to the introduction by Hartford of evidence to demonstrate the nature of these patents (see pp. 89-93 of Hartford's main brief).

Consultation with counsel.

One final objection is made by the Government with respect to the Hartford settlement agreements, namely, that Hartford entered into its various settlements with the belief that such conduct violated the anti-trust laws. Certain written discussions with and among Hartford lawyers are quoted allegedly to substantiate this contention.

Thus the provision in the 1924 Owens-Hartford agreement, reserving to Owens the right to veto a grant by Hartford of a license under *Owens'* blocking patents, is said to have been agreed to by Hartford with knowledge that it was illegal. The fact is, however, that Hartford counsel unqualifiedly advised that the provision was legal (Ex. 406, R. XX, 13017, Ex. 1839, R. XXIII, 14369). Hartford never-

theless disliked intensely any control by anyone over its licensees and accordingly bombarded Owens with the memoranda cited by the Government—advancing arguments for eliminating that provision. One of the arguments used—which the Government cites—was that the veto provision might be "attacked" by the Government—a safe argument which could be used with respect to any patent contract today. Hartford finally succeeded in obtaining freedom from this provision in 1931 (Ex. 411, R. XII, 9102).

In addition a 1925 memorandum by H. K. Smith, who died in 1931, is also accorded great importance by the Government on the theory that it advised Hartford to perform unlawful acts which the courts would be unable to undo. Mr. Smith was a distinguished attorney who formerly was Commissioner of Corporations for the United States and subsequently became counsel for Hartford (R. I, 681, 684). In 1925 he was requested by Hartford for an opinion on certain contemplated settlements with O'Neill, Lynch, Miller and Federal. This was in accordance with Hartford's uniform practice of obtaining counsel's approval before entering into any settlements.

Mr. Smith accordingly gave his opinion, in the memorandum quoted in part by the Government, as follows:

(a) He advised that he believed the proposed settlements *to conform to the anti-trust laws*:

> 1. *O'Neill:* "I do not think there is much danger in the O'Neill matter however it may be handled" (R. XVIII, 12570).
>
> 2. *Lynch:* (Gave no opinion, because there was no immediate need to go into the matter.) (R. XVIII. 12571).
>
> 3. *Miller:* "I feel that the danger of criticism is small" (R. XVIII, 12571).

4. *Federal:* "In this case it seems necessary and reasonably safe also * * * we seem pretty well justified under the Shoe Machinery cases, in acquiring these patent rights" (R. XVIII, 12571, 12573).

(b) He merely added—in view of the fact that the anti-trust laws were not clear—what the consequences would be if Hartford acted on his advice and subsequently the courts *held his advice to be erroneous* (R. XVIII, 12573-4).

We respectfully submit that there was nothing improper in an attorney—in giving advice under the notoriously vague provisions of the anti-trust laws—pointing out to his client what would occur if his advice were subsequently held to be in error.

To summarize, the Government has been unable to point to one of the Hartford patent settlements which was not first approved by counsel.

We submit that Hartford's conduct in acting solely on advice of counsel conforms closely to the observation of this Court in *Maple Flooring Manufacturers Ass'n* v. *United States,* 268 U. S. 563, as follows:

> "We think it might be urged, on the basis of this record, that the defendants, by their course of conduct, instead of evidencing the purpose of persistent violators of law, had steadily indicated a purpose to keep within the boundaries of legality as rapidly as those boundaries were marked out by the decisions of the courts interpreting the Sherman Act" (p. 577).

IV.

Hartford in Entering Into License Agreements With Respect to Its Patents Did Not Violate the Anti-Trust Laws.

Government contention.

The Government finally asserts that at least the Hartford license agreements were and are illegal *per se.*

Again the Government cites numerous cases, which it claims to be controlling.

Hartford answer.

The Government cases dealing with patent licenses—when analyzed—fall into two groups:

(a) One group of cases cited, while recognizing that a patentee may control the use of his patented invention, deny him any right to control articles *not produced by the patented invention.*

(b) The other group of cases cited, while likewise recognizing that a patentee may control the use of his patented invention, deny him any right to control articles produced by the patented invention *after sale.*

Not one case denies to the patentee the right to control —in the manner sought by Hartford licenses—the use of the patented invention.

The following summary of the principal Government cases on patent licenses demonstrates the correctness of the above analysis:

(a) *Controlling articles not produced by the patented invention.*

In *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U. S. 502, a patentee sought to license a patented

projection machine on conditions embodied in a notice controlling—not the use of the patented machine—but the use of film *otherwise produced.*

This Court, in holding that such conditions were not authorized by the patent laws, nevertheless emphasized that:

> "The patent law * * * protects him in the monopoly of that which he has invented and has described in the claims of his patent" (p. 510).

In *Carbice Corporation of America* v. *American Patents Development Corporation,* 283 U. S. 27, a patentee sought to license a patented package under an arrangement controlling—not the use of the patented package—but the use of unpatented dry ice *purchased from third parties.*

This Court, while condemning this type of license, affirmed that the patentee was entitled to control the use of his patent. He was said to be privileged to:

> "* * * prohibit entirely the manufacture, sale or use of such packages * * *. Or it can grant licenses upon terms consistent with the limited scope of the patent monopoly" (p. 31).

In *Morton Salt Co.* v. *The G. S. Suppiger Co.,* 314 U. S. 488, the owner of a patented machine sought through license agreements to control—not merely the use of the patented machines—but the use of unpatented articles *not produced by the licensed use.*

This Court, while condemning this type of license, nevertheless emphasized that:

> "A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent" (p. 491).

Finally in *American Equipment Co.* v. *Tuthill Bldg. Material Co.*, 69 F. (2d) 406 (C. C. A. 7th), a patented machine for handling brick was licensed upon terms seeking to control—not merely the use of the patented machine —but in addition:

(1) The production and sale of brick, although the brick *was not produced by the machine.*

(2) Whether handled at any time by the machine *or not.*

The court, while holding such license to be illegal, reaffirmed the patentee's sweeping discretion in the licensing of the machine itself:

> "Appellant's right to license one, or as many as it chooses, to make, sell or use the patented machine in the Chicago area was clear. It could prefer large manufacturers or small producers" (p. 408).

(b) *Controlling articles produced by the patented invention after sale.*

In *Ethyl Gasoline Corp* v. *United States*, 309 U. S. 436, a patented fluid used in gasoline was licensed under agreements controlling—not the use of the fluid before sale—but its price *after sale.*

This Court condemned these agreements as in violation of the anti-trust laws. The Court reaffirmed, however, the right of patentees to control the use of their patents, including:

(1) The right to refuse to deal with price cutters, *i. e.*, the—

> "• • • right to refuse to sell or to permit his licensees to sell the patented produce to price cutters" (p. 457).

(2) The right to license acceptable manufacturers under limited licenses, *i. e.*, to—

> "* * * grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege, save only that he may not enlarge his monopoly" (p. 456).

In *Standard Sanitary Mfg. Co.* v. *United States*, 226 U. S. 20, a patented gadget for shaking powdered enamel during the enameling of bath tubs and similar ware was licensed under agreements similarly seeking to control—not merely the use of the gadget—but numerous matters including—

(1) The sales price of the ware to jobbers—which ware *in no real sense was made* by the patented gadget;

(2) The *resale price* of the ware by jobbers, and

(3) The sales of *other ware* to jobbers.

These license agreements were of course condemned.

Finally, in *United States* v. *Univis Lens Co.*, 316 U. S. 241, patented lenses were licensed under agreements controlling—not the use of the patented lenses prior to sale—but their use *after sale.*

This Court held to be illegal these license agreements, stating with respect to the patentee that:

> "His monopoly remains so long as he retains ownership of the patented article. But sale of it exhausts the monopoly" (p. 250).

Application of Government cases.

The Hartford licenses, when tested by the principles laid down in the cases cited by the Government, were clearly valid.

The licenses were limited to controlling the use of the Hartford patented machines in producing glassware. In no instance did Hartford seek to control either the use of glassware *produced outside of the Hartford patent monopoly* or glassware produced within that monopoly and *sold without it.*

Hartford frankly sought to control the *use of Hartford's patented machines* in producing glassware. The patent laws and the courts had uniformly authorized such control of one's patented invention. Some licensees were permitted to use Hartford's inventions to produce certain types of glassware, as *e.g.* milk bottles, while other licensees were permitted to manufacture other types (Ex. H-5750, R. XXVII, 15436). Hartford adopted this policy of limited licensing independently in 1914—long before the transactions here at issue—as we will subsequently demonstrate. Hartford realized that thereby it would insure that the licensed production of glassware would be profitable and thus that it would obtain adequate royalty returns (R. II, 1405-7).

The Government continuously claims illegality in the fact that Hartford's patented machine inventions were for the production of *unpatented* glassware. It stresses the fact that when Hartford controlled the use of its machine inventions, it thereby controlled the patented production—and thus indirectly sale—of unpatented ware. *Of course!* The use of Hartford's patented inventions and the production of unpatented glassware by those inventions were *one and the same thing,* and control of one was *by the terms of the patents* control of the other.

Is the Government seeking to have the Constitution and patent laws amended to read that a patentee may exclusively control the use of his invention—*unless that invention is a machine for producing unpatented articles?*

It is obvious that a patentee is not denied the right to control the use of his patented machines by reason of the fact that this use is the patented production of unpatented ware. The courts have expressly held that the patentee of patented machines may "restrict the terms" upon which such machines may be "used", *Bement* v. *National Harrow Company*, 186 U. S. 70, 92—as for example by limiting

(a) The *territory* in which the machines may be used, *Mitchell* v. *Hawley*, 16 Wall. 544, 548-9,

(b) The *number* of machines which may be used, *Aspinwall Manufacturing Co.* v. *Gill*, 32 Fed. 697, 698 (C. C. D. N. J.), appeal dismissed 140 U. S. 669,

(c) The *type* of articles produced by the machines, *Cinema Patents Co. Inc.* v. *Columbia Pictures Corporation*, 62 F. (2d) 310, 311-12 (C. C. A. 9th),

(d) The *size* of the articles made by the machines, *George Close Co.* v. *Ideal Wrapping Mach. Co.*, 29 F. (2d) 533, 534-5 (C. C. A. 1st),

(e) The intended *market* for the articles made by the machines, *Libbey Glass Co.* v. *McKee Glass Co.*, 216 Fed. 172, 176 (W. D. Pa.), affirmed 220 Fed. 672 (C. C. A. 3rd), certiorari denied 238 U. S. 624, and

(f) The *quality, color* and *material* of the machines, *Indiana Mfg. Co.* v. *Nichols & Shepard Co.*, 190 Fed. 579, 583 (C. C. E. D. Mich.).

It is true that by reason of the excellence of the Hartford machines, which the Government concedes to be the best in the world (Stip., R. VI, 4467), most container manufacturers prefer the Hartford feeding machine system. Accordingly limitations upon the production of unpatented ware by Hartford machines necessarily have affected the industry production of unpatented ware. But this, to adopt

the language of *Vulcan Mfg. Co.* v. *Maytag Co.*, 73 F. (2d) 136 (C. C. A. 8th), appeal dismissed 294 U. S. 734:

> "• • • is a situation brought about by the excellence of the patent in a commercial sense, and not by any arrangement, contract, or other act of the patentee than the bare ownership of the patent and the monopoly of use of the subject-matter covered thereby" (p. 139).

As summarized in *United States* v. *Motion Picture Patents Co.*, 225 Fed. 800, a case frequently cited by the Government, with reference to the rights of a patentee:

> "The owner of a patented article has the right to enter upon this common field of trade. His patented article may be so superior, or of such less cost than anything else upon the market, as to supplant all others and give to him the whole trade as effectually as if his patented article has originally had the field to itself. Indeed, *its ownership may be sought, for the reason that it has this possibility of power*" (p. 806).

Origin of licenses.

The Government has raised a number of miscellaneous points with respect to Hartford's limited licensing policy which will be briefly answered.

One of the minor Government contentions is that Hartford had neither developed "suspended gob feeding" nor its limited licensing policy by 1914—prior to any of its settlement agreements with others.

The Government is being confused by its failure to distinguish between basic facts and details. Admittedly Hartford had not developed all the refinements of gob feeding and licensing policy that subsequently took place. But Hartford had by 1914 developed the essential ingredients

both of its gob feeding and its limited licensing policy. Thus—

(a) *As to gob feeding:* The record shows that as early as 1913 Hartford had both constructed and successfully operated not only the paddle type feeder initially licensed to the industry, but also the plunger type subsequently licensed after the blocking Hitchcock patents were acquired (Ex. H-5342, R. XXV, 15032c; R. VI, 4319, 4625). Both of these feeders practiced and disclosed shaped suspended charge feeding (R. VI, 4323; Ex. H-5360, R. XXV, 15060; *Homer Brooke Glass Co.* v. *Hartford-Fairmont Co.*, 255 Fed. 901 (D. Conn.), aff'd. 262 Fed. 427 (C. C. A. 2d)).

(b) *As to licensing:* The record shows that as early as 1912 Hartford had decided to issue limited licenses, a decision proven by an actual 1912 draft of such a Hartford limited license physically in the record (Ex. H-5346, R. XXV, 15034).

The Peiler memorandum of July 15, 1914, referred to by the Government as indicating the absence of any Hartford licensing policy in 1914, stated that while Hartford had not worked out the specific basis on which to distribute its feeders, nevertheless Hartford "would want to retain the title to the machines" (Ex. H-5347, R. XXV, 15048). The memorandum moreover took for granted that the earlier 1912 decision on limited licenses was to be carried out, because it discussed "beer and soda bottle" rights for Graham (*id.*, 15043), "fruit jars" for Schram (*id.*, 15046), a "branch of blown ware" for Hemingray (*id.*, 15046), and "milk bottles" for Hamilton (*id.*, 15048)—and presented for consideration a suggested allocation of limited license rights to various specified parties (*id.*, 15050).

The Smith memorandum of 1928, cited by the Government, merely stated that Hartford had not begun its com-

mercial expansion until 1917—which is unquestionably true (Ex. 395, R. XX, 13001). Hartford first had to develop machine manufacturing techniques and decide all policy questions before actually launching into industry licensing.

Commencement of licenses.

The Government next objects to the fact that Hartford in its early days, being in grave financial difficulties, commenced to lease and license gob feeding machinery under its patent applications and all resulting patents prior to obtaining the actual patents thereon, and that certain of the defendants accepted such leases and licenses.

But only a wealthy corporation—which Hartford most decidedly was not—can wait until patents are issued before granting licenses in return for royalty income prior to the issue of its patents. If Hartford had not issued licenses under its patent applications, and thereby financed in part its development work and expensive uphill fight in the Patent Office, it would have become bankrupt and would never have obtained any patents at all.

Indeed, unless inventors can issue licenses under their patent applications, many industrial users will decline to use the invention involved. They demand the protection of a license before they will make the necessary investments and build up a market for the invention.

The courts have repeatedly recognized that inventors have an inchoate right to their inventions prior to the issue of patents thereon and are entitled to assign and license rights thereunder, and that other parties are entitled to accept such assignments and licenses. To quote from a few illustrative cases:

Cammeyer v. *Newton*, 94 U. S. 225:

> "Inventions may be assigned before they are patented" (p. 226).

Hammond v. *Mason and Hamlin Organ Company*, 92 U. S. 724:

> "• • • rights growing out of an invention may be sold" (p. 728).

Fur Grooving & Shearing Co. v. *Turano*, 39 F. Supp. 877 (S. D. N. Y.):

> "These writings created a valid license even though entered into prior to the filing of the application for letters patent" (p. 877).

The courts have repeatedly held that licenses issued under patent applications may be either exclusive or non-exclusive—limited or unlimited—in nature.

Thus in *St. Louis Street Flushing Machine Co.* v. *Sanitary Street Flushing Mach. Co.*, 178 Fed. 923 (C. C. A. 8th), the court ruled:

> "We think the evidence establishes • • • a limited license • • •
>
> "The license was oral, it is true; but that is no objection to its validity. • • • Neither does the fact that the license was granted after the application was filed, but before the issuance of the letters patent, render it invalid" (p. 926).

Accord: *Brush Electric Co.* v. *California Electric Light Co.*, 52 Fed. 945, 962-3 (C. C. A. 9th);

Kelly v. *Porter*, 17 Fed. 519, 521 (C. C. D. Cal.).

Actually Hartford was entitled to issue limited licenses under its gob feeding inventions without filing any patent application whatever, provided Hartford and its licensees kept such invention a secret.

The very case of *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373, cited by the Government for the contrary proposition, states that:

> "The secret process may be the subject of confidential communication and of sale or license to use with restrictions as to territory and prices" (p. 402).

It might be added that the Hartford licenses even during the early period—prior to the issue of patents on Hartford's basic inventions—conveyed rights under some issued Hartford patents (See Stip., Ex. 973, R. XI, 8017-21, 7986-7).

Number of licenses.

The Government refers to the fact that Hartford, in issuing licenses, at times denied licenses to newcomers in the industry.

The answers to this contention are—

(a) In the first place, Hartford had the right to license whom it pleased. This has been adequately demonstrated.

(b) In the second place, Hartford did not refuse to license all newcomers. Many of the parties listed in the Appendix to the Government brief as being denied licenses subsequently were granted licenses (Ex. H-5750, R. XXVII, 15440, 15441).

(c) In the third place, Hartford is not to be criticized for failing to license more concerns, in view of the tremendous over-capacity in the industry (Exs. GCA-6091-2, R. XXVIII, 16242A, 16243).

Acceptance of licenses.

We have previously treated in our main brief the contention of the Government that Owens, Hazel-Atlas and

other unauthorized users of Hartford's inventions came to terms with Hartford more readily—and accepted licenses under Hartford's patents—because they approved of the Hartford policy of stabilizing licensed competition.

We wish to point out in this connection that Hartford never sought to stabilize prices in the sense that it licensed on condition that prices be maintained on the ware manufactured by its machines. The court below squarely held that:

> "The record does not disclose that at any time did Hartford impose in its licenses conditions upon the prices which the manufacturer might charge for the product of the machine" (R. Op. Vol., 143).

Consultation with licensees.

We have likewise dealt in our main brief with the Government's objections to Hartford's occasional requests for advice from its licensees.

The record is replete with proof that Hartford exercised its own independent judgment after receiving this advice (R. V, 3235-6, 3238, 3243-5; R. II, 1253, 1260-1, 1278-9; R. VI, 4231; Ex. 959, R. XXI, 13607). For typical examples of advice by licensees and action by Hartford directly contrary to such advice, see the following (advice, Ex. 235, R. XIX, 12758-13, contrary action, Ex. H-5750, R. XXVII, 15439-1; advice, Ex. 1487, R. XXII, 13975, contrary action, Ex. H-5750, R. XXVII, 15449; advice, Ex. 1551, R. XXII, 14054-A, contrary action, R. IX, 6725; advice, Ex. 928, R. XXI, 13580, contrary action, Ex. H-5750, R. XXVII, 15442; advice, Ex. 839, R. XXI, 13502-A, contrary action, Ex. H-5749, R. XXVII, 15435).

Terms of licenses.

Another Government contention is that the Hartford licenses were not uniform, unlimited licenses available to all.

We have adequately established in our main brief, however, that Hartford was not required to grant such licenses.

In *United States* v. *United Shoe Machinery Co.*, 247 U. S. 32, for example, this Court declared, with respect to a patentee's rights, that:

> "* * * he necessarily has the power of granting it to some and withholding it from others, a right of selection of persons and terms" (p. 58).

Again in *Vulcan Mfg. Co.* v. *Maytag Co.*, 73 F. (2d) 136 (C. C. A. 8th), appeal dismissed 294 U. S. 734, the court emphasized that:

> "Obviously, the patentee is not compelled to choose between granting full and complete use under the patents or granting no use" (p. 139).

We might add that Hartford, by reason of the strong blocking patents and superior economic resources of Owens and Hazel-Atlas, was forced to accord those companies better license terms than to other licensees. Hartford, however, eventually was able to induce Owens to surrender its favored position, although it has failed after repeated attempts to persuade Hazel-Atlas to do so (Ex. HA-5087, R. XXIV, 14814; R. IV, 2491). Hartford moreover has done all within its power to assist the smaller licensees (Stip., Ex. H-6152, R. XII, 8571, 8595; Offers, R. VII, 4975; R. IX, 6722, 6729).

The great service which Hartford performs to the smaller licensees is amply demonstrated by the *amici curiae* briefs submitted herein. The two briefs differ in their esti-

mates of the effect of the judgment upon Hartford, but both unite in recognizing the part played by Hartford in assisting the small manufacturer. The Knox brief carefully states that it does not oppose the judgment because, in its opinion, it does not believe its destruction of Hartford's licenses will interfere with—

> "* * * the continued business existence of the Hartford-Empire Company, or to the supply of technical services to the Glass Industry, or to the preservation of the medium sized glass manufacturing companies" (p. 3).

The Buck brief flatly states that—

> "* * * the medium-sized glass manufacturing companies have been able to keep their plants in a modern competitive position only because of the services supplied by the Hartford-Empire Company" (p. 11).

The attitude of the small licensees is indeed a tribute not only to the services of Hartford to them—but also to Hartford's modest royalty charge for those services. The royalty figures cited by the Government at pages 19-20 of its brief should be compared with the more complete royalty data set forth at pages 54-55 of Hartford's main brief. The Government statistics are the more remarkable when it is recalled that Government counsel expressly conceded below that

> "I didn't say the royalties are high. We never attacked their royalties" (R. VII, 5331).

Admission of validity.

The Hartford licenses—the Government points out—contained admissions of validity of the patents involved.

The provisions are normal and proper.

Bement v. *National Harrow Co.*, 186 U. S. 70, 73, 93;
Dale Tile Manufacturing Corp. v. *Hyatt*, 125 U. S. 46;
Eskimo Pie Corp. v. *National Ice Cream Co.*, 26 F. (2d) 901, 902 (C. C. A. 6th);
Sinko Tool & Mfg. Co. v. *Casco Products Corp.*, 89 F. (2d) 916, 917-18 (C. C. A. 7th).

These admissions of validity, it might be noted, did *not*—as claimed by the Government—bind the licensee after the end of his license term (e. g. Ex. H-5782, §15, R. XIII, 9663).

Mootness.

The Government, when it comes to the cancellation of the limited license provisions of the Hartford licenses before trial, is somewhat at a loss. Having obtained what it wanted without litigation, it seeks to defend its course of continuing to litigate those provisions.

It will be recalled that Hartford's cancellation of its limited licensing took place:

(a) In accordance with a list of "Hartford-Empire Company Practices Complained of", furnished by the Government;

(b) After announcement of the intended action in open court before trial, without objection from the court, and with the expressed commendation of the Government.

See generally pages 69-73 and 125-128 of Hartford's main brief.

The primary Government objection to this action is that basically the situation is unchanged and thus that the license issues cannot be moot. The Court is respectfully requested to note, however, that Hartford now retains simply its patents—which the Government has stipulated it does not claim to be invalid (Stip., R. VIII, 5635)—and unlimited licenses are available to all responsible parties (Hartford Supplemental Answer, R. I, 439).

The secondary Government objection is that a change of this nature before trial, even though made in good faith as in the instant case, cannot render issues moot. In *Standard Oil Co.* v. *United States,* 283 U. S. 163, however, license provisions—both enforced and unenforced—were cancelled after the complaint and before trial. This Court thereupon, recognizing that once license provisions are removed they are irrevocably gone, held the license issues to be moot (pp. 181-2). Furthermore, in each of the other cases cited at pages 126-127 of Hartford's main brief, the court similarly held that changes made in good faith before trial, although after the complaint was filed, rendered the issues moot.

The cases of *United States* v. *Trans-Missouri Freight Assn.,* 166 U. S. 290, and *Federal Trade Commission* v. *Goodyear Company,* 304 U. S. 257, cited repeatedly by the Government, merely hold that changes made *after* the case has ended will not make the issues involved moot on appeal. In the first case the changes were made after judgment, and in the second they were made after entry of the Commission's order.

The Government finally contends that the terms of the cancellation of limited licenses were objectionable in that Hartford paid Corning and Ball to induce them to surrender their exclusive patent rights in Hartford's patents. But Hartford had to pay them—for they refused to surrender

such valuable property rights without consideration. The Government was asking for the cancellation of these rights and Hartford sought to achieve this objective. Why should the Government seek to upset what it requested—particularly when the result was achieved by arm's length bargaining?

V.

The Government is Unable to Justify the Confiscatory Provisions of the Instant Judgment.

Government concessions.

The Government concedes that the judgment herein—as now before this Court—cannot in its present form be justified.

This concession is all the more significant when it is realized that this judgment was drafted below word for word by the Department of Justice.

To review briefly the discussion in the Government brief concerning the judgment:

In general: The Government initially agrees to the elimination of one Section of the judgment (p. 328). It further admits that two other Sections must be changed (pp. 327-8). It also consents to the modification in "several instances" of additional Sections (p. 328) and concedes generally that the "in perpetuity" Sections of the judgment should at some time be lifted or modified (p. 329).

§5. *Adjudication of monopoly:* The Government consents to the immediate modification of Section 5 (p. 327).

§9. *Enjoining Acts alleged in complaint:* The Government concedes that Section 9—shown by us to be in flat

violation of Section 19 of the Clayton Act and Section 65(d) of the Federal Rules of Civil Procedure—should be cancelled (p. 328).

§§*10-20. Receivership of Hartford:* The Government "presumes" that the Receiver, who has seized the management of Hartford, is not to continue in possession many years (p. 408). The Government obviously is willing to have the Receivership Sections modified to provide this. We submit, however, that any such penal Receivership was unnecessary and unwarranted—particularly when Hartford was given no opportunity to submit a counterproposal.

§*15. Confiscation of income:* We have pointed out that Hartford's royalty income has been seized by Section 15 for return to licensees, with the result that Hartford is now operating out of capital, for the benefit of licensees, at the rate of over $100,000 per month. The Government states that the Receiver "may" deduct sums to pay Hartford for the services rendered to licensees, agrees that Hartford "should" be thus compensated, but is unable to deny that the Receiver has not yet thus compensated Hartford (p. 409). (The Receiver's operations to date have consumed over $1,400,000 of Hartford's capital (R. X, 7581)). The right of Hartford to relief from the operation of this Section is clear.

§*21. Prohibition of leasing:* The Government concedes that "isolated" leasing should not be prohibited by this Section (p. 374). We submit that any arbitrary prohibition of all leasing, including leasing having no effect upon competition, is unjustified.

§*22. Confiscation of machinery:* The Government concedes that Hartford's machines should not be confiscated without compensation under Section 22 (p. 375). It fol-

lows that in any event the Section should be modified to incorporate this concession. We believe that the Section should be totally eliminated—because it arbitrarily transfers Hartford's machine property, leased under unrestricted leases, to the lessees.

§§*23 and 25. Rigid machine prices:* The Government concedes that the anti-discrimination provisions of Sections 23 and 25 should not prevent "changes in prices" to reflect costs and market conditions (pp. 374-5). The Government fails to explain why such changes were not provided for in the Sections when drafted by it. Actually the Sections need total rewriting—if they stay in the judgment at all—to make them workable.

§*24(b). Compulsory licensing of future patents:* The Government at first argues that its T. N. E. C. recommendations for compulsory licensing should be imposed on all future patents—however distant and unconnected with the events here complained of. It assumes that the defendants have a perpetual monopoly on creative thought and will "control the future." The Government winds up, however, by conceding that compulsory licensing should be ended eventually when competitive conditions exist (pp. 363-5).

§*24(c). Compulsory disclosure of trade secrets:* The Government, having drafted Section 24(c) to include all drawings and patterns without qualification, now agrees that it should be limited to commercial models and should not cover trade secrets (p. 341). The Section needs drastic rewriting if not complete deletion.

§*26. Prohibition of litigation:* The Government concedes that Hartford should not be helpless in the event that others take advantage of the prohibition of Section 26

against bringing suit (p. 361). The sweeping language of this Section requires drastic revision, however, to prevent this and other injustices.

§§*27 and 28. Cancellation of all agreements:* The Government still insists upon the cancellation of each and every settlement and license agreement entered into by Hartford —however innocent or however lacking in any restrictive provision (p. 385).

§*29. Prohibition of limited and exclusive licenses:* The Government also insists upon judicial adoption in this test case of the T. N. E. C. prohibition of limited and exclusive licenses (pp. 378-9).

§*29(f). Prohibition of price differentials:* The Government fails to point out the discrimination appearing in this case that justifies the prohibition of discrimination contained in this Section. It consents, however, to a modification of the Section to conform to the Robinson-Patman Act (pp. 328, 381). The Government apparently believes, contrary to long established doctrines of decree writing, that violation of one law (Sherman Act) can be used to justify enjoining violation of another (Robinson-Patman Act).

§*31. Judicial management of business:* The Government concedes that Section 31 should be modified so that the court below and this Court on direct appeal should not have to approve all contracts in perpetuity entered into between the defendants (pp. 385-6). The Government merely desires such judicial review of all prices, rates and terms charged by each and every defendant in dealing with future machines, patents, patterns, drawings and patented articles (see Sections 22-24 and 29).

§§*33 and 36. Holdings in glass companies:* The Government in no wise explains why any and all acquisitions or holdings of stocks or evidences of indebtedness of another glass company—regardless of its effects on competition—should be forbidden to all defendants. The Government concedes, however, that the words "evidences of indebtedness" should be limited in its meaning to securities (p. 400).

§§*37-39. Trade association:* The Government is unable to explain why a trade association for an industry should be prohibited from electing as association officers any representatives of any of the principal companies in that industry. The Government believes, however, that Section 37 as drafted by it "probably" will not be interpreted to forbid all statistical committees of the trade association (p. 393).

§*40. Prohibition of cooperative collection of trade data:* The Government attempts to defend its prohibition of almost all types of cooperative collection of trade data—and then suggests "reasonable" interpretations which presumably it would consent to being read into the Section (pp. 394-7). It fails to provide, however, for modification permitting Hartford to carry on its efficiency studies for its smaller licensees.

§*46. Impounding of monies under Hazel-Atlas agreement:* The Government advances the novel thought here that, in the event the judgment is sustained on appeal, the money paid by Hartford under the 1932 Hazel-Atlas agreement and impounded by the court below before judgment should go—not back to Hartford—but to licensees who have not the slightest claim thereto under even the District Court's rulings (p. 412). The District Court provided for the return to licensees of royalties paid *after* September

1, 1942—not before (Judgment, §15, R. X, 7623-4). The Government did not attempt to defend the burdensome duplicate payments required by the impounding order.

§§*51-54. Patent Office practices:* The Government consents to modification of Section 52(b) (p. 328). Much greater changes than this, however, should be made generally in these Sections for reasons advanced in our main brief.

§*55. Supervision and surveillance:* The Government sees no objection in the fact that this and other Sections set the court up as a "super commission" with "close supervision" of the defendants (pp. 404-5). In other words a court is not merely a branch of the judicial department, but of the legislative and executive departments as well.

Miscellaneous: We have pointed out that many actions expressly authorized by statute are forbidden by the judgment. The Government can only answer that if Hartford desires to exercise these statutory rights it can "apply to the court" (pp. 398-9).

Confiscation.

The Government alone defends vigorously and at length the confiscation, by Section 24(a), of all defendants' existing patents and patent applications.

Primarily, the Government seeks to justify the confiscation of Section 24(a) on the theory that the patents confiscated are invalid and unenforceable under the rulings of *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240 and *Altoona Theatres* v. *Tri-Ergon Corp.*, 294 U. S. 477. Confiscation of something that is worthless is said not to be confiscation.

This reasoning is, of course, most fallacious. Hartford sought below to prove that its patents were valid and enforceable in all respects. The Government objected and stipulated that it was not claiming the contrary (see Point I, *supra*). The Government surely cannot now attack the validity of the patents by these or any other cited decisions—in flat repudiation of its stipulated statement of the issues below.

Moreover, under even the Government's theory *all* Hartford patents, of whatever origin or use, should not be confiscated for invalidity.

Hartford today has valid dominant patents from which it has been deriving over 80% of its income. Clearly these patents are far from being valueless.

Secondarily, the Government seeks to justify the confiscation of Section 24(a) on the theory that violation of the anti-trust laws is generally punishable by confiscation.

The very cases cited by the Government, however, flatly refute this contention:

(a) The Government initially attempts to defend confiscation for anti-trust violation by citing certain anti-trust cases dealing with non-patent property. These cases principally include *United States* v. *Terminal Railroad Association of St. Louis,* 224 U. S. 383; *United States* v. *Great Lakes Towing Co.,* 217 Fed. 656 (N. D., Ohio), appeal dismissed 245 U. S. 675; *United States* v. *New England Fish Exchange,* 258 Fed. 732 (D., Mass.) and *United States* v. *Pullman Co.,* 50 F. Supp. 123 (E. D., Pa.).

These cases, however, in no wise support the property confiscation of the judgment.

In each of these four cases a combination of competing assets had occurred. The courts in those cases accordingly,

as an alternative to the complete breaking up of the combination, ordered compulsory dealing with all applicants upon reasonable terms. In the instant *Hartford* case there was no combination of competing assets, and consequently no justification for ordering compulsory dealing with the public.

In each of these four cases, furthermore, the court expressly *refused* to order compulsory dealing *without compensation,* as occurred in the *Hartford* case. Thus in the *St. Louis Terminal* case this Court carefully avoided any confiscation by providing that any new party applying to use the defendant's property must do so:

> "* * * upon such just and reasonable terms and regulations as will, in respect of use, character and cost of service, place every such company upon as nearly an equal plane as may be with respect to expenses and charges as that occupied by the proprietary companies" (p. 411).

The other non-patent cases arising under the anti-trust laws—cited by the Government—called for the rearrangement of property values, but in not one instance called for property confiscation. See, for example, *United States* v. *American Tobacco Co.,* 221 U. S. 106, 185-187.

(b) The Government next cites certain anti-trust consent decrees. These decrees, however, are frankly negotiated on the theory that they must not only enjoin unlawful conduct, but must in addition provide other "benefits" sought by the Department of Justice which are *not called for by law. Cf.,* Department of Justice Release of May 18, 1938, C. C. H. Trade Reg. Serv. (8th Ed.), Par. 17,002, p. 23,302. These decrees are totally valueless as precedent.

(c) The Government finally refers to certain anti-trust cases specifically dealing with patent property. These cases,

however, like the other decisions cited, hold directly contrary to the Government's contentions.

These latter cases indeed reveal that the question of confiscation of patents and patent rights for anti-trust violations has been before the federal courts repeatedly—and has as repeatedly been denied. To mention a few of these cases:

In *Standard Sanitary Mfg. Co.* v. *United States,* 226 U. S. 20, patent license agreements were found to have violated the Sherman Act. The question then arose as to the status of the patents so used. The decree answered this question by stating expressly that the patents were not forfeited but should remain enforceable:

> "* * * this decree shall not be construed to prevent whoever may be the owner or owners of the Arrott patent and other dredger patents relating to the manufacture of sanitary enameled ironware, from granting lawful licenses to any of the defendants or others to use such patents, or to prevent the defendants or others from taking lawful licenses to use any of such patents" (Decrees and Judgments in Federal Anti-trust Cases (1918), p. 265).

In *United Shoe Machinery Co.* v. *United States,* 258 U. S. 451, patent license agreements were found to have violated the Clayton Act. This Court carefully avoided forfeiting either patents or license contracts—instead approving injunctive relief directed alone at objectionable clauses in the license agreements.

In *United States* v. *Motion Picture Patents Co.,* 225 Fed. 800 (E. D. Pa.), appeal dismissed 247 U. S. 524, patent agreements likewise were found to have violated the anti-trust laws. There again the court refused to forfeit the patents involved. Instead the decree of the court flatly stated that:

> "Nothing in this decree contained shall be construed to prevent whoever may be the owner or owners of the patents relating to the motion picture art named in the pleadings and evidence herein from granting lawful licenses under lawful conditions to any of the defendants or to others, nor to prevent the defendants or others from taking lawful licenses from the owners of said patents. Nothing herein contained shall be construed to prohibit whoever may be the owner of the said patent or patents from collecting royalties in the future from licensees" (Decrees and Judgments in Federal Anti-Trust Cases (1918), pp. 379-380).

In *International Business Machines Corp.* v. *United States,* 298 U. S. 131, patent leases were found to violate the anti-trust laws. Neither the patents nor leases, however, were confiscated. Instead the objectionable clauses of the leases were ordered removed.

Ethyl Gasoline Corp. v. *United States,* 309 U. S. 436, is particularly in point. There (a) certain patents, (b) certain licenses to refiners, and (c) certain fictitious licenses to jobbers were found to have been used in violation of the anti-trust laws. This Court, however, in no wise ordered confiscation. The patents were left intact; the licenses to refiners were revised by the deletion of objectionable clauses but otherwise left standing; while only the fictitious licenses to jobbers—being resale price maintenance agreements rather than licenses—were stricken down.

In *United States* v. *Univis Lens Co.,* 316 U. S. 241, a similar patent situation was similarly treated. The patents were left intact; a bona fide license to the Lens Company was retained; and only fictitious resale price maintenance licenses were stricken down.

That violation of the anti-trust laws does not cause the forfeiture of the patents, under any interpretation of the *Carbice* and *Morton Salt* cases, has of course also been squarely held in:

American Lecithin Co. v. *Warfield Co.*, 105 F. (2d) 207, 211 (C. C. A. 7th), certiorari denied 308 U. S. 609;

Novadel-Agene Corp. v. *Frederic H. Penn*, 119 F. (2d) 764, 766-7 (C. C. A. 5th), certiorari denied 314 U. S. 645;

Sylvania Industrial Corp. v. *Visking Corp.*, 132 F. (2d) 947, 958 (C. C. A. 4th);

Universal Sewer Pipe Corp. v. *General Const. Co.*, 42 F. Supp. 132, 134 (N. D. Ohio, E. D.);

American Lecithin Co. v. *Warfield Co.*, 42 F. Supp. 270, 272 (N. D. Ill., E. D.).

Franchise cases.

The Government also cites—in defense of the patent confiscation of Section 24(a)—certain revocable franchise cases in which franchises have been revoked for misuse. Patents, according to the Government, are similarly franchises which may be revoked for misuse.

It is true that patents have at times been referred to as franchises, as the term franchise has been most loosely used. *Morgan* v. *Louisiana*, 93 U. S. 217, 223. Patents, however, have never been classified with the public type of franchise—discussed in the Government cases—which alone is revocable for misuse.

The franchise cases cited by the Government in each instance involved a franchise which was—

(a) A public right of which the public had been deprived;

(b) In consideration for a continuing obligation to use it as specified;

(c) Which obligation had not been fulfilled by the franchise grantee—i. e., had been misused.

Thus, in *Farmers Loan and Trust Co.* v. *Galesburg,* 133 U. S. 156, cited by the Government, a public franchise to supply water was revoked for failure to supply adequate water.

Again, in *Delmar Jockey Club* v. *Missouri,* 210 U. S. 324, a public franchise to maintain fair grounds was revoked for non-use of that franchise.

In *New York Electric Lines* v. *Empire City Subway,* 235 U. S. 179, a public franchise to lay wires was likewise revoked for non-use.

In *Kern River Co.* v. *United States,* 257 U. S. 147, a public franchise for irrigation purposes was revoked for failure to use it for that purpose.

Finally in *Public Service Commission* v. *Havemeyer,* 296 U. S. 506, another public franchise for irrigation purposes was revoked because altering the water level contrary to the franchise provisions.

Patents obviously are not revocable public franchises within the meaning of the above cases.

In the *first* place, patents are not public franchises in the sense that the public is deprived of rights. Rather the invention involved is the product of the inventor's brain.

Marsh v. *Nichols, Shepard & Co.,* 128 U. S. 605, 611;

United States v. *Dubilier Condenser Corp.,* 289 U. S. 178, 186.

In the *second* place, patents are not franchises in the sense that there is a continuing obligation to use them for any purpose.

Continental Paper Bag Company v. *Eastern Paper Bag Company,* 210 U. S. 405, 428-430;
Crown Die & Tool Co. v. *Nye Tool & Machine Works,* 261 U. S. 24, 34-35;
Woodbridge v. *United States,* 263 U. S. 50, 55;
Fox Film Corp. v. *Doyal,* 286 U. S. 123, 130.

In the *third* place, patents are not franchises in the sense that they may be revoked or otherwise treated differently from any other property of any nature. The very cases referring to patents as franchises have uniformly made this clear.

Seymour v. *Osborne,* 11 Wall. 516, 533;
Cammeyer v. *Newton,* 94 U. S. 225, 226;
Continental Paper Bag Company v. *Eastern Paper Bag Company,* 210 U. S. 405, 425.

This Court has specifically ruled that the Government can no more take away a man's patent property, for any reason, without compensation, than it can any other property.

Hollister v. *Benedict & Burnham Manufacturing Company,* 113 U. S. 59, 67;
Solomons v. *United States,* 137 U. S. 342, 346;
William Cramp & Sons Ship & Engine Building Company v. *International Curtis Marine Turbine Company,* 246 U. S. 28, 39-40.

If the Government were correct in asserting that patent property may be forfeited for anti-trust violation, then any

other property may be so forfeited. This—we submit—demonstrates the basic error of the Government's contentions.

Offer of Hartford.

In conclusion, one final point deserves mention. This is the offer of Hartford to dedicate to the public those of its patents as have been acquired by it from others—to the extent that the Court deems this advisable.

This offer was not made, as suggested by the Government, because we believe that compulsory licensing is a remedy that a court may properly order. The acquired patents frankly have little value to Hartford, except in so far as they would block the use of Hartford—developed patents. Hartford accordingly, in a spirit of compromise to end this long and most expensive litigation concerning these blocking patents, suggested this solution of voluntary dedication of its acquired patents to assist the Court in its deliberations.

Respectfully submitted,

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Appendix.

The Court may find it helpful, in its consideration of the various briefs in this case, to use the following "thumb nail" guide to the principal dates and technical terms therein referred to.

At the end of the guide there is set forth, as in the Hartford main brief, a tabulation of all record references relating to the exhibits cited in the brief.

Chronology.

1903 Owens introduced suction machine
1912 Hartford-Fairmont Company formed
1912 1914 Broad Peiler applications filed by Hartford
1913 Gob feeding machines successfully operated by Hartford
1914 General license policy decided by Hartford
1915 First commercial feeder installed at Monongah by Hartford
1916 Agreement between Hartford and Empire
1917 Steimer purchase
1918 Hitchcock purchase
1920 Thatcher license
1922 Howard purchase
1922 Agreements between Hartford, Empire and Corning
1924 Agreement between Hartford and Owens
1925 Miller purchase
1925 Tucker, Reeves and Beatty purchase
1931 Owens agreement modified by cancellation of Section 22
1932 Agreement between Hartford and Hazel-Atlas
1932 New agreement replaced old Owens agreement
1933 Ball license
1933 Headley and Thompson purchase
1933 Agreement between Hartford and Lynch
1935 New agreement replaced all Owens agreements
1938 Lynch agreement modified
1939 Complaint filed in this suit
1940 Hartford limited licensing policy discontinued
1941-1942 Trial of this suit

Technical Terms.

Feeder— An automatic machine which discharges molten glass in a succession of portions, each sufficient for making one article of glassware.

Former (or forming machine)— An automatic machine having molds in which articles of glassware are made from portions of molten glass, usually supplied by a feeder.

Gob— Any lump of molten glass; specifically, a mold-charge of such glass.

Gob feeding— Used in Hartford's briefs to mean the method of feeding molten glass whereby gobs or mold-charges are cut off while suspended from the feeder and then drop down into molds—a shorthand expression for "suspended-charge feeding" or "shaped-suspended-charge feeding".

Lehr— An oven for "annealing" freshly made glassware by heating it and then cooling it slowly.

Shaping— Imparting to a suspended gob or mold-charge of molten glass a shape suited to the mold which receives it.

Stacker— An automatic machine for placing freshly made glassware in an annealing lehr.

Stream feeding— The method of feeding whereby molten glass flows from an outlet in a continuous stream, from which portions are collected in a mold or other receptacle.

Suction machine— A forming machine which sucks molten glass into its molds.

Exhibits.

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6	I 660	I 662	XVIII 12369	33
137	II 905	II 905	XIX 12653	23
141	II 914	II 914	XIX 12662	24
235	Folio 2062	Folio 2063	XIX 12758	49
309	II 1146	II 1146	XIX 12863	34
312	II 1150	II 1150	XIX 12869	34
320	II 1166	II 1166	XIX 12883	34
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1909	VII 5289	VII 5289	XXIII 14454	17
H-5006	II 1440	II 1440	XXIV 14694	13
HA-5087	IV 2551	IV 2551	XXIV 14812	50
H-5146	V 3189	V 3189	XXIV 14850B	22
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H-5230	V 3822	V 3822	XVIII 12133	12
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H-5346	VI 4334	VI 4334	XXV 15034	45
H-5347	VI 4336	VI 4336	XXV 15041	45
H-5360	IX 6668	IX 6668	XXV 15060	45
H-5423	VII 4920	VII 4920	XXV 15162	11
H-5481	VII 5035	VII 5036	XXVI 15233	17
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H-6167	IX 6743	IX 6746	XXVIII 16361	21
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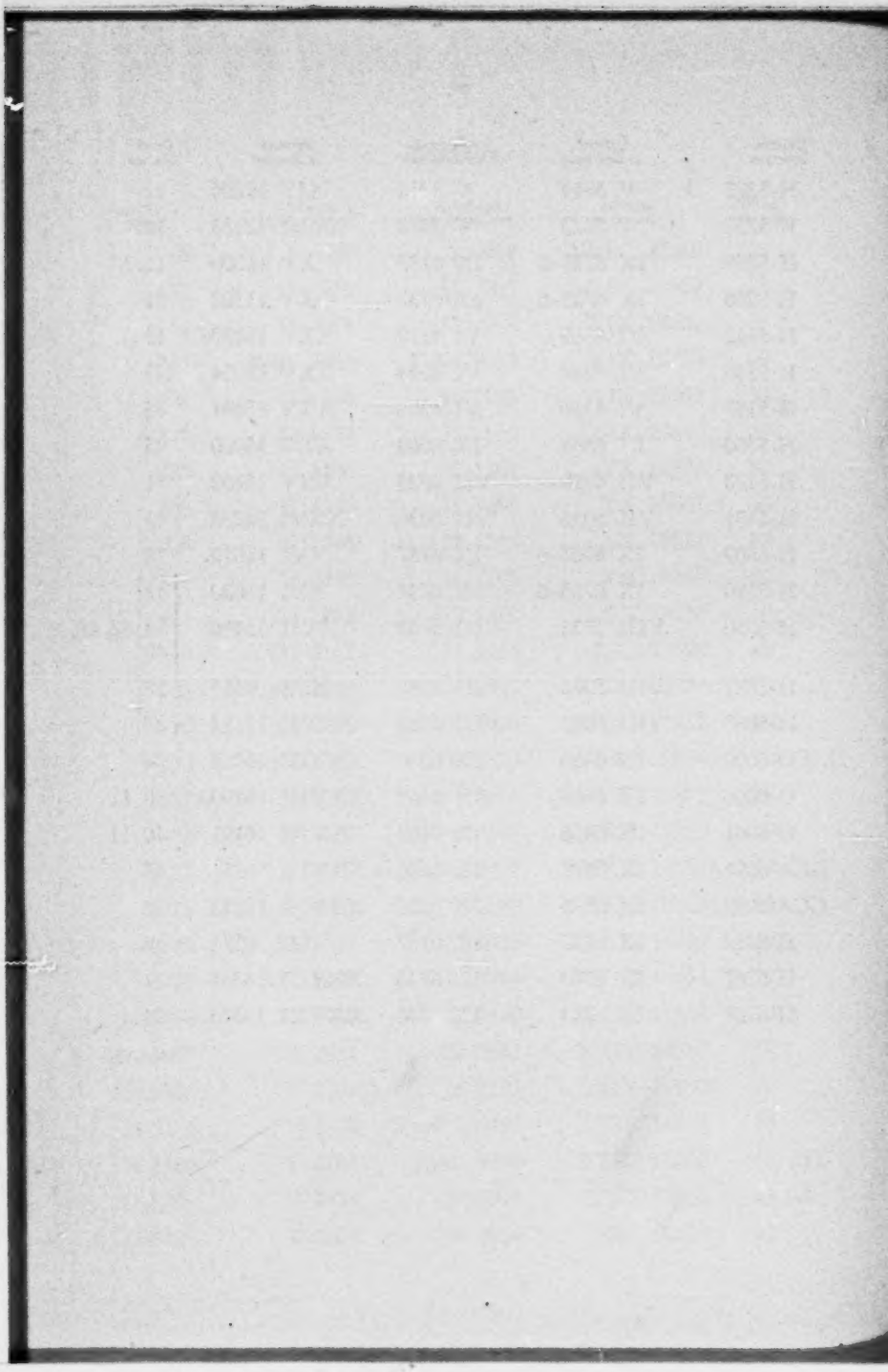

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CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1944.

HARTFORD-EMPIRE COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee.

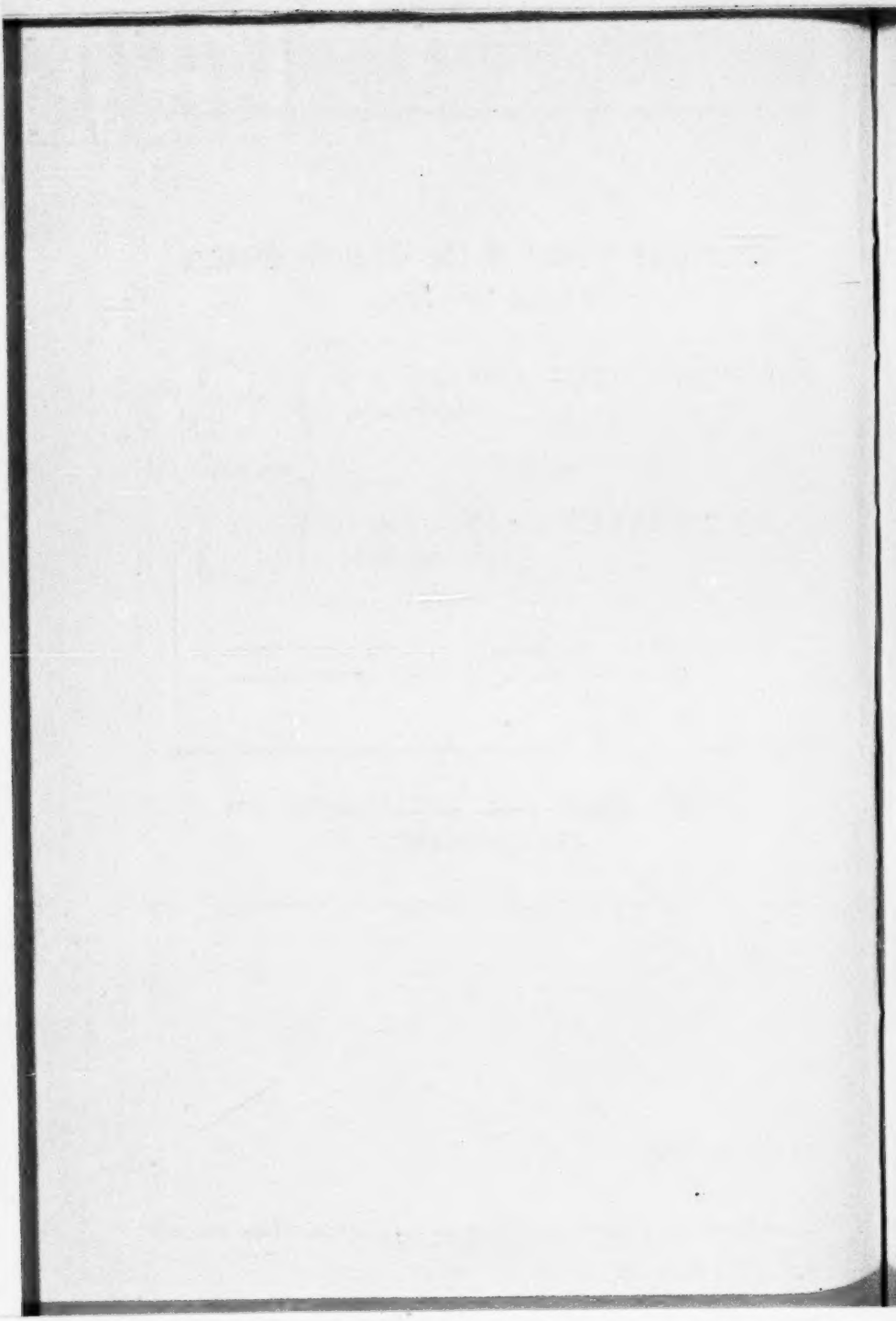
Nos. 2-11.

Appeals from the District Court of the United States for the Northern District of Ohio, Western Division.

JOINT BRIEF FOR APPELLANTS ON REARGUMENT.

September 4, 1944.

Pandick Press, Inc., 22 Thames St., New York 6, N. Y., U. S. A.



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IN THE

Supreme Court of the United States

OCTOBER TERM, 1944.

HARTFORD-EMPIRE COMPANY, *et al.*, Appellants, *v.* UNITED STATES OF AMERICA, Appellee.	Nos. 2-11.

Appeals from the District Court of the United States for the Northern District of Ohio, Western Division.

JOINT BRIEF FOR APPELLANTS ON REARGUMENT.

This brief deals solely with the judgment herein.

It is submitted jointly by the appellants in accordance with the order of this Court, dated May 15, 1944, requesting joint reargument and joint briefing by the appellants of their objections to the provisions of the judgment.

It is thus submitted by the appellants, however, in reliance upon the following assumptions implicit in that order:

(1) In the individual briefs of the respective appellants heretofore filed herein, and upon the oral argument, the various appellants have presented their respective views as to the insufficiency of the particular findings applicable to them, the various errors relied upon by them, and the various reasons entitling them respectively to reversal or dismissal. The instant brief is now joined in by the

various appellants on the express understanding that by so doing none of them in any way waive the positions so taken by them upon the merits.

(2) In those individual briefs of the respective appellants, and upon the oral argument, the various appellants have emphasized that their respective interests differ greatly. The instant brief is now joined in by the various appellants on the express understanding that it is not intended to reflect in all respects the views of each appellant, but rather is intended to compile within two covers the collective objections of all the appellants to the provisions of the judgment. Each appellant endorses solely those portions of the discussion herein which relate to paragraphs of the judgment to which said appellant is shown by appendix A herein to have assigned error.

It is of the utmost importance to each of the appellants that this joint briefing shall not mislead this Court into treating the problems of this judgment as problems affecting the appellants jointly. These problems have an entirely distinct impact upon each of the corporate appellants, and as to each such appellant must be solved in the light of a factual background differing from that of every other such appellant. The distinctions between the appellants become even more marked in the case of the individual appellants.

These differences between the various corporate and individual appellants will be developed briefly at pages 20-45 herein. For a more full discussion of these differences—and of the differing attitudes of the appellants towards the various paragraphs of the judgment—the Court is respectfully referred to the separate briefs previously submitted herein by the respective appellants.

STATEMENT.

General background of judgment.

The Department of Justice examined into the glass container licensing structure, in 1938, on behalf of the Temporary National Economic Committee.

Hartford and representative licensees appeared and voluntarily testified at the Committee hearings (Hearings Before the TNEC, 1938-1939, Part 2, p. 665).

The Department at that time expressed appreciation for the industry's cooperation, and assured it that it had not been selected because it was different from other industries but only because it was typical (Id., p. 665). The Department moreover joined in the July 17, 1939 TNEC report (Sen. Doc. No. 95, 76th Cong., 1st Sess.) which—although critical on grounds of economic policy—acknowledged that the patent licensing structure of the industry was lawful:

> "The evidence showed that control of patents in two companies—The Hartford Empire Co. and The Owens-Illinois Glass Co.—allowed them *legally* to dominate the industry" (p. 7).*

Department's recommendations to Congress.

The Department of Justice subsequently proposed, and the TNEC adopted, in 1939, certain recommendations to Congress for changes in the patent and anti-trust laws which would invalidate licensing structures such as that in the glass container industry.

These suggestions, in the form subsequently elaborated in 1941 (TNEC Preliminary Report, July 17, 1939, Sen. Doc. No. 95, 76th Cong., 1st Sess., pp. 16-18, and TNEC

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* Italics ours herein, unless otherwise noted.

Final Report, March 31, 1941, Sen. Doc. No. 35, 77th Cong., 1st Sess., pp. 36-37), called for:

(1) compulsory licensing,

(2) prohibition of limited licensing, and

(3) forfeiture of patents for violation of (1) or (2).

Congress, while it enacted into law five bills incorporating other TNEC patent recommendations (Public Acts 286, 287, 288, 341 and 358, approved August 5-7, 1939), did not enact any bill incorporating the Department-sponsored recommendations for changes in patent and anti-trust law.

The National Patent Planning Commission—appointed by the President to study these matters—subsequently found (House Doc. No. 239, 1943, 78th Cong., 1st Sess.) that these recommendations:

> "* * * would not be a beneficial innovation in our patent system" (p. 9).

Department's institution of suit.

When Congress failed to act, the Department of Justice brought the instant suit in December, 1939—publicly declaring it to be a test case—in an effort to obtain judicial adoption of its legislative proposals to invalidate licensing structures such as that in the glass container industry.

The Department now claimed that the law with respect to the glass container licensing structure was doubtful and that this doubt should be cleared up to guide Government and business men (D. of J. Release, December 11, 1939, C. C. H. Trade Reg. Serv., 8th Ed., ¶17,035). Suit was said to be necessary because:

> "The cases that have arisen have involved isolated situations with the result that the decisions have

been insufficient guides either to the Government or to business men'' (p. 23,357).

Defendants' discontinuance of criticized practices.

The defendants desired not only to avoid, if possible, the enormous expense and unsettled business conditions necessarily resulting from an industry-wide anti-trust proceeding, but also to put at rest all possible questions of the legality of their business practices.

Hartford and certain of the other corporate defendants accordingly urged that this suit might properly be shortened by voluntary discontinuance of whatever acts and practices were challenged by the Department, and by the entry of a reasonable judgment or judgments enjoining any revival thereof. In this manner the Department would achieve all the relief to which it was entitled in equity even if the case were tried and such practices were found to contravene the anti-trust laws, and the defendants would be spared expensive and time-consuming litigation.

This suggestion to avoid litigation and to insure the validity of their future conduct was made by these defendants regardless of the legal merits or demerits of the suit. These defendants believed that the container industry was serving the public well—by reason of the following facts—and thought it unnecessary to debate the technical legal issues involved:

(1) The machinery of the glass container industry was the best in the world (Stip., R. VI, 4467).

(2) The prices of the industry's products had been decreasing, to the extent of 25.2% between 1929 and 1939 (Ex. H-5825, R. VIII, 5887, R. XXVII, 15477).

(3) Its production had been increasing, to the extent of 54.55% between 1928 and 1939 (Exs. GCA 6091-2, R. IX, 6626, R. XXVIII, 16251-2).

(4) Its capacity to meet consumer demand had been more than adequate, averaging 68.6% in excess of demand between 1928 and 1939 (Exs. GCA 6082-3, R. IX, 6623, R. XXVIII, 16242A, 16243).

(5) Its quality of glassware had been improving (Stip., R. VII, 5329; Stip., Ex. H-6152, R. IX, 6737, R. XII, 8595).

(6) The machinery, research and service furnished by Hartford to its 41 licensees—of particular value to small manufacturers (See e.g. R. IX, 6914-6 and the two previous *amici* briefs in this case)—had admittedly been stimulating and increasing competition among its container licensees, and between its licensees and the manufacturers of tin, paper, aluminum and other container ware (Stip., Ex. H-6152, R. IX, 6737, R. XII, 8595).

These defendants, in accordance with their suggestion, requested and obtained a detailed list of the licensing practices objected to by the Department (Ex. H-6113, R. IX, 6694, 6695, R. XXVIII, 16256-71; see R. IX, 6695) undertook *in open court* to discontinue these practices (R. I, 611 *et seq.*) and subsequently—before trial—did so (R. I, 435, 441-3). Pursuant to the Department's list of objections, Hartford stripped its outstanding licenses of the criticized limitations and made available new unlimited licenses to newcomers who might care to come into the industry (R. I, 441-3). In addition certain of the other corporate defendants either cancelled agreements objected to by the Department or deleted provisions objected to by it (R. I, 429 (Corning), 434 (Ball), 450 (Lynch).

The Hartford-Owens cross-license agreement had been cancelled in 1935 and replaced with simple, non-exclusive

licenses. The Hartford-Ball partially exclusive license was cancelled in August, 1940. In addition, the Hartford-Empire 1916 agreement and the Hartford-Corning 1922 agreement were terminated in September, 1940. Hartford retained only its own patents and certain non-exclusive license rights from others—and under these patents and rights it offered unlimited leases and licenses to all. Its 40-odd licensees thereby obtained unlimited licenses and any responsible newcomer was entitled to similar leases and licenses.

The Department conceded that, by reason of this action, the patent limitations objected to had been dissipated:

> "Of course since October 7, 1940, the fields have been thrown wide open" (Fol. 3695).*

The Department, however, was not content to accept any reasonable judgment recognizing these defendants' efforts to comply with the Department's objections and enjoining the revival of the practices discontinued. The Department sought to attack by litigation licensing practices approved by the Supreme Court. As the Assistant Attorney General in charge of anti-trust enforcement frankly conceded (Final Report of the TNEC, Sen. Doc. No. 35, 77th Cong., 1st Sess.):

> "In the *Glass Container* case, the *Hartford Empire* case, we simply declined to enter into any decree at all. We thought that there was a case where we were asking them to give up certain restrictions which *apparently were approved by the two cases decided by the Supreme Court.* We thought there was a case in which we shouldn't ask for a decree because we would have had *to go beyond the law*" (p. 115).

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* Folio references occasionally appearing herein are to portions of the record on appeal herein not printed, but to which reference can be made by stipulation between counsel (R. XXVIII, 16531).

Vindictive drafting of judgment.

The trial of the instant suit then followed.

Upon the conclusion of this trial, the Department drafted the present judgment—now conceded by it to be erroneous in many respects—with its 60 long and highly complicated paragraphs (Proposed judgment, R. X, 7613-53). The spirit of that drafting is evidenced by the following statement of the representative of the Department in presenting the draft for the signature of the District Judge:

> "Why should we have to start more suits against these people? They are before Your Honor. * * * It seems to me what ought to be done here is to enjoin them for all time from violating statutes on the books, so that we should not have to institute another proceeding against them and have years go by before we get a decree; and so that we can come before Your Honor, or before some successor of Your Honor, and seek to hold them in contempt" (R. IX, 6900).

The Department—far from seeking to assure normal competition between the defendants and others—drafted the judgment provisions on the theory that:

> "* * * I say that their [defendants] misconduct in the past justifies the court in putting them in a different class from other people" (R. IX, 6906).

The Department frankly intended this denial of normal competition to apply not only to the present businesses of the defendants, but as well to any future businesses of the defendants, whether involving glassware or not:

> "* * * We intend Paragraph 29 to apply to any product made by any of the defendants. And that was done deliberately. * * *" (R. IX, 6905).

> "* * * it seems to me that the court has the power to and should enjoin the people before Your Honor from using these same practices in connection with every other phase of their businesses" (R. IX, 6906).

The judgment thus drafted by the Department echoed the Department's TNEC legislative recommendations, by providing:

(1) Compulsory licensing of all patents—present and future (¶24),

(2) Prohibition of all limited licensing—present and future (¶¶29-30), and

(3) Forfeiture of all present patents—by royalty-free compulsory licensing (¶24 (a)).

The judgment likewise contained numerous other restraints and forfeitures subsequently discussed.

The provisions of the judgment were made applicable indiscriminately to the independent actions and property of the several defendants, corporate and individual alike, irrespective of whether or not the complaint charged or the record disclosed any participation by a particular defendant in an adjudicated past violation or any likelihood of a continuance of that violation—thus punishing all defendants as a class for adjudged transgressions of any one defendant.

Certain of the provisions, in conformance with the Department's announced objectives, extended to every business in which any defendant might at any time engage (¶29 (a) and (f)); others restrained all defendants in fields in which some only had engaged (¶¶21, 23-26); and still another forbade violation generally of the anti-trust laws (¶9).

Summary entry of judgment.

On July 18, 1942, the Department and the defendants submitted proposed findings of fact (R. IX, 6917-7168, R. X, 7169-7277).

On August 25, 1942, the opinion of the court was handed down (R. Op. Vol.).

On August 27, 1942, two days thereafter and without formal or informal argument, the Department's proposed findings were entered—with but few changes affecting the present defendants (Compare proposed and final findings, R. IX, 6917-7095 and R. X, 7277-7420; and Owens main brief, p. 27)—although the findings in repeated instances were argumentative and many of them are shown in the briefs on behalf of the particular defendants heretofore submitted to be without support in the record.

The lower court denied all findings proposed by defendants, though many were undisputed or overwhelmingly supported by the evidence and—if adopted—would themselves have demonstrated error in the present judgment.

On September 19, 1942, the Department's draft of judgment was served upon the defendants (R. X, 7420-7459).

The trial court afforded no opportunity to the defendants to prepare a form of judgment on their behalf or to introduce evidence relating thereto. The submission of drafts of judgment by defendants was said to be futile (R. IX, 6877). Evidence on the nature and form of relief had previously been excluded (R. VII, 4963-4).

On October 1, 1942, a hearing as to the form alone of the judgment was held under District Court Rule No. 4 (R. X, 7421; R. IX, 6876-7). The corporate defendants were each heard for a maximum of 30 minutes—30 seconds per paragraph of the judgment—and three days were given them thereafter to file objections (R. IX, 6879).

On October 8, 1942, the final judgment was then handed down, with practically no changes from the Department's complicated draft except relatively minor ones conceded by the Department at the hearing (compare proposed and final judgments, R. X, 7613-53 and 7653-92).

Present appeal to this Court.

The defendants appealed both from the findings below of anti-trust violation and from the judgment thus entered.

The defendants in their previous briefs set forth generally the basic errors of fact and law represented by the findings and judgment. The unprecedented size of the record prevented most of the defendants from presenting a detailed analysis of each finding and of each judgment provision affecting them.

The defendants in this brief, in response to the order of this Court, will discuss in detail the judgment provisions. Since the defendants are not informed of the conclusions this Court may have reached with respect to the lower court's findings of violations of the anti-trust laws, this brief necessarily will discuss these judgment provisions on the assumption that a judgment other than of dismissal is to be entered. This discussion, however, is not intended in any way to waive either the errors claimed or the arguments advanced with respect to specific findings or the various reasons entitling them respectively to reversal or dismissal, as set forth in the individual briefs of the respective appellants heretofore submitted to this Court.

ARGUMENT.

Reversible errors in judgment.

This judgment, we submit, should be reversed.

Five basic errors were committed, in the drafting and in the entry of the judgment, which necessitate its reversal even though the conclusion below of anti-trust violation by the defendants should be assumed, *arguendo*, to be correct.

1. ***Peremptory entry:*** In the first place, the judgment should be reversed because it represents a Department-drafted decree summarily entered by the trial court.

Defendants in anti-trust proceedings, before judgment is imposed, are entitled to submit alternative proposals, to offer testimony thereon if necessary, and to be heard on each of the judgment provisions both as to substance and as to form.

> See e. g. *United States* v. *American Tobacco Co.*, 221 U. S. 106, 187.

Defendants in this case, however, were not afforded this opportunity, with the result that the present extraordinary judgment was entered.

The warning of this Court in *Milk Wagon Drivers Union of Chicago* v. *Meadowmoor Dairies, Inc.*, 312 U. S. 287, was not observed, namely, that:

> "According to the best practice, a judge himself should draw the specific terms of such restraint and not rely on drafts submitted by the parties" (p. 296).

2. ***Judicial legislation:*** In the second place, the judgment should be reversed because it embodies undisguised

judicial legislation—openly and avowedly sought by the Department of Justice in an effort to over-ride the will of Congress to the contrary.

The remedies provided by the Sherman Act—fines and imprisonment in criminal actions (Sections 1-2), injunctions in equity proceedings such as the instant suit (Section 4) and treble damages in private litigation (Section 7)—alone may be imposed for Sherman Act violations.

Minnesota v. *Northern Securities Co.*, 194 U. S. 48, 65 *et seq.*;
D. R. Wilder Manufacturing Co. v. *Corn Products Refining Co.*, 236 U. S. 165, 173-4;
Paine Lumber Co. v. *Neal*, 244 U. S. 459, 471;
Geddes v. *Anaconda Mining Co.*, 254 U. S. 590;
General Investment Co. v. *Lake Shore & Michigan So. Ry. Co.*, 260 U. S. 261, 286;
United States v. *The Cooper Corporation*, 312 U. S. 600.

Thus, in the *Geddes* case, this Court declared:

> "It is now the settled law that the remedies provided by the Anti-Trust Act of 1890 for enforcing the rights created by it are exclusive" (p. 593).

The remedies incorporated into this judgment, however, are nowhere provided by the Sherman Act—even in its criminal provisions:

(a) The judgment forfeits large cash sums (¶¶44-46), destroys patents (¶24) and transfers the administration of the corporate defendants' business to the courts (¶¶23-25 and 31).

(b) The judgment adopts in gross the TNEC recommendations as to patent licenses rejected by Congress (¶¶24 and 29).

(c) The judgment rewrites the patent statutes and the Patent Office rules of practice, so far as these defendants are concerned (¶¶24, 51-54).

The ruling of this Court in *United States* v. *Cooper Corporation*, 312 U. S. 600, should be as controlling here as in that case, namely, that:

> "The recent expressions of this court in *Tigner* v. *Texas*, 310 U. S. 141, 148, 149, warn that it is not for the courts to indulge in the business of policy making in the field of anti-trust legislation" (p. 606).

3. ***Punitive nature:*** In the third place, the judgment should be reversed because it is punitive and not remedial.

Section 4 of the Sherman Act—as distinguished from the criminal sections of the Act—is strictly remedial in nature.

> *Standard Oil Co.* v. *United States*, 221 U. S. 1, 77-78;
> *United States* v. *American Can Co.*, 234 Fed. 1019 (D. Md.), appeal dismissed, 256 U. S. 706;
> *United States* v. *United States Steel Corp.*, 223 Fed. 55, 59 (D. N. J.), affirmed 251 U. S. 417.

The Section authorizes courts of equity solely:

> "* * * to prevent and restrain violations of the Act" (15 U. S. C. §4).

The judgment, however—while purportedly entered pursuant to Section 4—in no manner conforms to its terms. Thus, among other non-conforming terms:

(a) It does not truly "prevent" or "restrain"—by enjoining future violations. On the contrary, it

openly punishes. Thus the judgment does not stop at enjoining alleged misuse of machines and patents but instead imposes the drastic punishment of outright confiscation of those machines and patents (¶¶22 and 24).

(b) It does not solely deal with "violations of the Act"—by enjoining unlawful conduct. On the contrary, it applies equally to lawful and to unlawful conduct. Thus it forbids leasing and limited licenses whether for proper or for improper purposes (¶¶21 and 29).

Thereby, in an equity proceeding designed to prevent future violations of law—not to punish for past violations—the judgment has in fact imposed punishment far more severe than would have been possible in any criminal proceeding under the anti-trust laws. And in doing so, the court has employed the indirect means of enjoining the defendants from dealing in interstate commerce unless they "agree" to the punishment and confiscatory arrangements—thus suggesting in the judgment itself the court's lack of authority to impose the punishment directly.

The judgment from beginning to end completely disregards the purpose of Section 4, which, in the words of *Standard Oil Co.* v. *United States*, 221 U. S. 1, is:

> "• • • to protect, not to destroy, rights of property" (p. 78).

4. ***Indiscriminate nature:*** In the fourth place, the judgment should be reversed because it indiscriminately applies its punishment to loosely-defined subject matter, without the issues of this suit, and to all the defendants, corporate and individual, in disregard of the non-participation of many of them in violations here charged.

A decree in equity is intended to enjoin defendants—who have engaged in unlawful action—from future violations of the exact nature engaged in by them.

Swift & Company v. *United States*, 196 U. S. 375, 396;
New York, New Haven and Hartford Railroad Company v. *Interstate Commerce Commission*, 200 U. S. 361, 404;
Bliss Company v. *United States*, 248 U. S. 37, 48;
Hague v. *C. I. O.*, 307 U. S. 496.

Thus, in the *New Haven* case, this Court held that it was not the function of a court in equity:

> "• • • to command it [a defendant] in general terms not to violate the Act in the future in any particular" (p. 404).

The judgment, however, applies its prohibitions to practically all glass products (¶1 (B)), to known and unknown machines and methods used in the manufacture thereof (¶1 (F)-(M)), and to all individual and corporate defendants irrespective of their differing participations in the events of the suit. To elaborate upon the latter:

(a) The judgment applies numerous provisions to conduct in which no defendant has participated. Thus it forbids discrimination, whether reasonable or unreasonable, in the sale of patented products, although no such discrimination appears at any place in the record (¶29 (f)).

(b) The judgment applies other provisions, relating to the conduct of a particular class of defendants, to all the defendants. Thus because one of the corporate defendants pursued an allegedly improper licensing policy in the container industry, the other corporate and all individual defendants—some of whom never owned patents

> and one of whom is not even in the container industry—are subjected to licensing obligations in a manner calculated to achieve the Department's objective of putting them "in a different class from other people" (¶24).

The judgment should be revised in accordance with the salutary ruling of this Court in *National Labor Relations Board* v. *Express Publishing Co.*, 312 U. S. 426, that:

> "This Court will strike from an injunction decree restraints upon the commission of unlawful acts which are * * * dissociated from those which a defendant has committed" (p. 436).

5. ***Inconsistent remedies:*** Finally, the judgment should be reversed because, viewed cumulatively, it constitutes a clear abuse of the trial court's discretion.

The collective judgment provisions, viewed as a whole, are indefensible. Never before in any anti-trust or other judgment of a court of law or equity have property and other legal rights been as sweepingly and vindictively destroyed in flagrant violation of the due process clause of the Constitution. All conceivable prohibitions and punishments—repeatedly inconsistent both with the lower court's opinion and with each other—have been bundled together indiscriminately by the Department-drafted judgment and imposed collectively upon all the defendants.

Thus the trial court's intention, as evidenced by its opinion, was that Hartford should be preserved in order that its engineering services may continue to benefit the industry (R. Op. Vol., 160 and later rulings), but by the Department-drafted judgment it is wiped out (¶¶10-20, 22, 24). Other defendants are enjoined from cross-license relations with each other (¶27), and then are subjected to obligations on the theory that such relations will continue (¶¶23-25). Patents are destroyed (¶24) and then suits

under those patents—which could not possibly be brought if the patents are destroyed—nevertheless are regulated (¶26). The trade association, GCA, is to be preserved according to the lower court's opinion (R. Op. Vol., 159-160) but by the judgment it is in effect dissolved (¶¶37-40).

The ruling of this Court in *Republic Steel Corporation v. National Labor Relations Board*, 311 U. S. 7, is as applicable to an abuse of a trial court's discretion as it is to that of an administrative board, namely, that:

> "We do not think that Congress intended to vest in the Board a virtually unlimited discretion to devise punitive measures and thus to prescribe penalties or fines which the Board may think would effectuate the policies of the Act" (p. 11).

The judgment provisions—it should be stressed—totally ignore the good faith discontinuance by the principal corporate defendants of practices objected to by the Department, pursuant to the procedure approved in *Standard Oil Co. v. United States*, 283 U. S. 163, 181-2—for the judgment completely disregards the fact that contracts found to have been parts of the conspiracy were cancelled by the parties, some of them many years before the suit was brought.

The judgment could not have been made more vindictive in spirit and substance if these defendants had refused all cooperation with the Government, and the court had found that they had not only violated the law but had recalcitrantly persisted in so doing up to the moment they were enjoined.

Discussion herein of judgment.

The judgment is so permeated with errors that even the Department, which drafted it, concedes that it must be drastically modified. See pages 223-227, *infra*.

These errors, we submit, are of the utmost gravity.

This suit was avowedly brought by the Department as a test case. The principles enunciated in any judgment herein will be viewed as controlling precedent not only by the defendants but by all industry. Few cases have been more closely followed by the lower federal courts, by the bar and by business generally.

The appellants will discuss these errors, in the subsequent pages, in accordance with the following outline:

(1) General application of judgment.

Under this heading the general impact of the judgment upon the various corporate and individual appellants will be discussed briefly.

For a more complete picture of the application of the judgment to the appellants—as well as a more thorough understanding of the differing views of the appellants towards various paragraphs of the judgment affecting them—the Court is respectfully referred to the original briefs of the appellants previously submitted herein. For example the approach of the Owens original brief (pp. 124-173) with respect to Paragraphs 24, 26 and 29 somewhat differs from that of this joint brief.

(2) Detailed analysis of judgment.

Under this heading the specific paragraphs of the judgment, identified by number and subject matter, will be discussed in detail.

As the present discussion is limited to the propriety of the relief—the appellants will object to the paragraphs only in so far as they contain reversible error assuming, *arguendo*, that a judgment other than of dismissal is to be entered.

(3) Appendix.

The Appendix will finally list, as requested by the Court, the appellants who specifically take objection to each paragraph of the judgment discussed. No appellant joins in the discussion of any paragraph of the judgment except in so far as the appellant is listed in the Appendix as assigning error to that paragraph.

I.

GENERAL APPLICATION OF JUDGMENT.

A brief survey of the impact of the instant judgment upon the appellants—hereinafter generally referred to as the defendants—will broadly demonstrate the unprecedented errors of this judgment.

These defendants will roughly be grouped, for convenience in making this survey, into seven categories:

(a) A research, engineering and machinery distributing company—Hartford-Empire Company.

(b) Four manufacturers of glass containers—Owens-Illinois Glass Company, Hazel-Atlas Glass Company, Ball Brothers Company and Thatcher Manufacturing Company.

(c) A manufacturer and distributor of glass container machinery—Lynch Corporation.

(d) Fifty-five individual defendants associated with the seven corporate defendants.

(e) Four officers and directors of a dismissed glass container manufacturer (Anchor Hocking Glass Corporation)—Isaac J. Collins, T. C. Fulton, W. V. Fisher and J. D. Dilworth.

(f) A glass container trade association — the Glass Container Association — and two individual defendants associated with it.

(g) A manufacturer of non-container glassware—Corning Glass Works.

The Container Industry.

Destruction of Engineering Company.

The principal defendant, Hartford-Empire Company, is an engineering and research company which develops, produces, distributes and services various kinds of patented and unpatented automatic machinery for the manufacture of glassware—principally glass containers.

Description of company.

Hartford invented revolutionary glass container machinery and methods which it leased pursuant to license agreements to the glass container industry, and furnished extensive services in connection therewith (R. II, 1406, 1481, 1487). This machinery included feeders, forming machines, lehrs and stackers. It had limited capital, however, and was eventually forced—as an alternative to threatened bankruptcy—to enter into settlement agreements with the owners of blocking patent rights. Hartford's licenses originally contained certain limitations, but these were removed by October, 1940; and since that time these licenses have all been both non-exclusive and unlimited—providing only for reasonable rental or royalty payments necessary to enable Hartford to carry on its development, research and services (R. II, 1406-7; Hartford main brief, pp. 13-73, 89 *et seq.*).

Destruction of company.

The glass container industry needs Hartford:

(a) Hartford's machinery and methods are conceded by the Government to be "wonderful", "marvelous" and "best" (Stip., R. VI, 4467).

(b) Hartford's research, development, machinery and services are similarly conceded to stimulate competition, increase production, improve quality and reduce costs (Stips., R. VII, 5329; Ex. H-6152, R. IX, 6737; R. XII, 8595).

(c) Hartford's business—even the Government admits—should be continued for the good of the industry (Fol. 12639).

The small manufacturer especially needs Hartford.

These manufacturers—unlike the large manufacturers—are unable to afford their own research and engineering facilities and require the facilities and services of Hartford in order to compete successfully with their large competitors (R. IX, 6915-6). As a substantial group of these small manufacturers urged below, in vigorously protesting against any dissolution of Hartford:

> "* * * if any decree entered herein shall have the practical effect of destroying or in any way substantially interfering with the services now rendered by the Hartford-Empire Company, * * * the petitioners herein will be gradually forced out of business, and a few large manufacturers will have a virtual monopoly of the glassware business in the United States through no fault or act of their own" (R. IX, 6916).

The lower court, therefore, ruled below that:

> "Dissolution is not resorted to" (R. Op. Vol. 160).

Hartford submits, however, that the instant judgment, for all practical purposes, does dissolve it:

(1) Hartford's entire business is turned over to a receiver (¶¶10-20, R. X, 7661-5).

(2) Hartford's income currently received from licensees is forfeited through requiring its return to the licensees (¶15, R. X, 7663-4).

(3) Hartford's assets in so far as represented by contracts are forfeited through their unconditional cancellation (¶¶27-28, R. X, 7670-2).

(4) Hartford's assets in so far as represented by its numerous patents—most of them on inventions of its own employees—are forfeited through requiring the issue of royalty-free licenses thereunder to all (¶24 (a), R. X, 7667-8).

(5) Hartford's assets in so far as represented by its many hundreds of leased machines are forfeited through requiring the sale thereof on confiscatory terms (¶22, R. X, 7666).

(6) Hartford's remaining assets, its capital, are forfeited through directing the receiver to operate the company out of capital, at a rate of over $100,000 a month or more than $1,200,000 a year (¶¶11 and 15, R. X, 7661-4; R. Op. Vol. 157; R. X, 7581).

(7) Any remaining vestiges of life in Hartford—if any are possible after income and assets are gone—are subject to the other perpetual restraints of the judgment (R. X, 7653, *et seq.*).

(8) Certain individual defendants who own stock of Hartford are ordered to dispose of such stock, and solely because of such stock ownership are subjected in their personal capacities to the full impact of the judgment (See pp. 31-36, *infra*).

It is obvious that Hartford, under this judgment, will be unable to continue to perform its essential functions for the container industry. No company can exist without income, assets or incentives. Its "integrated" research and engineering staff, despite the alleged intention of the Government to keep it together (Government original brief, p. 335), will have to be dispersed—thereby destroying its

teamwork and group effectiveness. The judgment therefore, in the guise of fostering competition, kills a valuable agency which promotes that competition.

Punishment of Container Manufacturers.

The four defendant manufacturers of glass containers —Owens-Illinois Glass Company, Hazel-Atlas Glass Company, Ball Brothers Company and Thatcher Manufacturing Company — are parties to non-exclusive patent license agreements with Hartford.

Description of manufacturers.

Owens entered into a patent settlement agreement with Hartford in 1924, which was modified in connection with Hartford's settlement with Hazel-Atlas in 1932. Subsequently, in 1935, these defendants decided to cancel their agreements so that Owens might withdraw from any participation in licensing and confine itself solely to glassware manufacture. Accordingly on or about October 1, 1935 Owens and Hartford totally cancelled all their old agreements—replacing them with simple non-exclusive cross-licenses which neither permitted Owens to share in Hartford's royalty income nor to participate in Hartford's licensing policies (Owens' main brief, pp. 3-13, 19 *et seq.*).

Hazel-Atlas entered into certain patent settlement agreements with Hartford during 1932-1935. This defendant, unlike most other container manufacturers, had for years sought to pursue the policy of developing, building and operating its own machines. In 1932, however, it lost two patent suits to Hartford, necessitating taking out a license from Hartford. Accordingly, it settled its patent controversies with Hartford—in part involving Owens—and for this and other considerations entered into certain non-exclusive cross-license agreements with these parties (Hazel-Atlas brief, pp. 3-13, 15 *et seq.*).

Thatcher acquired a partially exclusive license to make milk bottles with certain Hartford inventions in 1920. The exclusivity of its license however was of a very limited character, and the machinery involving said inventions soon became obsolete, with the result that other manufacturers were licensed to manufacture and have in fact manufactured milk bottles in competition with Thatcher. Occasionally it sought—usually unsuccessfully—to advise Hartford when the latter was contemplating the issue of new licenses in the milk bottle field (Thatcher main brief, pp. 7-11, 25 *et seq.*).

Ball acquired a partially exclusive license to make fruit jars with Hartford's feeder inventions in 1933. Ball refused to accept a license from Hartford until after Hartford had successfully adjudicated certain of its patents before three Circuit Courts of Appeals. Thereupon Ball paid damages for past infringement and purchased all Hartford feeder rights on fruit jars not previously granted—but Ball never had a monopoly of the production or sale of fruit jars (Ball main brief, pp. 5-22, 30 *et seq.*).

All of these manufacturers have had, and continue to have, vigorous competition from other glass and non-glass container manufacturers (See, *e. g.*, Hartford main brief, pp. 9, 57; Owens' main brief, pp. 76-85).

Punishment of manufacturers.

The judgment contains certain normal provisions enjoining generally any continuance of alleged illegal agreements, and enjoining in detail alleged cooperative action on the part of these glassware manufacturers. Such provisions, when modified as indicated subsequently, may be appropriate "to prevent and restrain" the violations charged in the complaint if such violations are held to have occurred.

without limitation, are thought by this Court to continue those patents in an illegal aggregation of patents, then it is only those Owens patents on which Hartford has such licensing rights—and even as to them, only the Hartford licensing rights therein—which are part of any possible illegal aggregation.

Punishment of Machinery Manufacturer

Lynch Corporation, another defendant, is a manufacturer and distributor of machines known as "forming machines" used in the manufacture of glass containers.

Description of manufacturer.

This defendant entered into a patent settlement agreement with Hartford in 1933. Prior to that time it is not charged with any transactions attacked in this suit. In 1933, however, the Patent Office—after an extended patent controversy costing Lynch $250,000—ruled in favor of basic patent claims under option to Hartford which read on the forming machines of Lynch. This defendant had partially anticipated this threat to its business by purchasing the business of Ed. Miller, who manufactured complementary machines, but following the decision of the Patent Office Lynch entered into a non-exclusive cross-license agreement with Hartford. Subsequently, on September 18, 1940, prior to the trial of this action, this cross-license agreement was revised to meet objections raised by the Government thereto (Lynch main brief, pp. 8-16, 18 *et seq.*).

Punishment of manufacturer.

The judgment confiscates the patents of Lynch, and imposes other harsh penalties upon that company, in complete disregard of the nature of its business and its previous conduct, as distinguished from that of the other defendants.

Many acts and transactions in which Lynch had never engaged, inherently lawful, are barred to it in perpetuity—even though changed conditions might cause it to desire to engage in them in the future. Thus the judgment perpetually enjoins Lynch from leasing although Lynch has always distributed its machines by sale (¶21, R. X, 7665-6), and it generally imposes restraints upon Lynch engaging in the business of research and development and in selling glassware although Lynch has never engaged in such businesses (See, *e. g.*, ¶¶24, 29, 51-54, R. X, 7667-8, 7672-3, 7686-90). Thereby it effectively destroys the ability of Lynch ever to expand its business into these fields.

If the findings of the lower court of violation of the anti-trust laws on the part of Lynch should be affirmed, it would be appropriate for the judgment to enjoin Lynch from, in the future, entering into such agreements or pursuing such conduct as may have been found to have been illegally entered into or pursued by Lynch, but there is no warrant whatsoever for the arbitrary inclusion of Lynch in other paragraphs of the judgment not relating to Lynch transactions.

Neither the evidence nor the findings disclose any dangerous probability of the resumption of challenged contracts or practices by Lynch. Whatever measures this Court may ultimately find necessary and appropriate to dissolve any combination found to exist, it is unnecessary, inappropriate and punitive to, in effect, cancel all of Lynch's present and future glass machinery patents (¶¶24 and 26, R. X, 7667-70); to cancel the September 18, 1940 agreement between Hartford and Lynch under which Lynch has merely a non-exclusive right—necessary to Lynch's competitive position—to employ Hartford inventions in its machines (¶27, R. X, 7670-1); to prevent any of the individual defendants associated with Lynch from holding

securities of corporations engaged in the manufacture of glassware or glass machinery, or becoming an officer or director of more than one such corporation (¶¶ 33-35, R. X, 7674-7); or to require Lynch to offer for sale the remnant of the assets acquired by it from Miller in 1933 (¶49, R. X, 7685).

There are no findings whatsoever to sustain such sweeping injunctive provisions with respect to Lynch. On behalf of Lynch and its associated individual defendants it is separately respectfully urged that Section 48 of the judgment —modified as hereinafter suggested at pages 175-176, *infra* —is fully adequate to forbid the doing in the future of any and all acts similar to those which have been found to have been done by it in violation of the anti-trust laws, and that the judgment should be modified by striking therefrom all other reference to Lynch Corporation and its associated individual defendants.

Inclusion of Individual Officers and Directors

The individual defendants—other than four Anchor-Hocking and two GCA officers subsequently discussed—are fifty-five officers or directors associated with the seven corporate defendants.

Description of individuals.

These individual defendants were charged in the complaint, in the Department's argument below and in the findings of fact with derivative violations of the anti-trust laws—in their representative capacities as officers or directors of corporate defendants—under the provisions of Section 14 of the Clayton Act (15 U. S. C. §24).

Indiscriminate inclusion of individuals.

Each of these individual defendants is subjected by the judgment to all the penalties applicable to the corporate defendants.

The judgment imposes its restraints and forfeitures upon these defendants, moreover, in their personal capacities and with respect to their personal property, notwithstanding the fact that they are charged solely with a derivative liability in their representative capacities. For example, no individual defendant is even remotely charged with misuse of an individually owned patent, yet all individual defendants are required to surrender—royalty-free—all patents they may individually own on glassware machinery and methods (¶24 (a), R. X, 7667-8), while as to all their future inventions they are subjected to court-fixed royalties within the glassware field (¶24 (b), R. X, 7668). Moreover, and beyond that field, they are perpetually denied the use of normal licensing provisions (¶29, R. X, 7672-3).

The judgment imposes these restraints and forfeitures, furthermore, notwithstanding the fact that in most cases the part played by these individuals was small and unimportant. Thus, attendance at one meeting of a corporate defendant—and this the 1935 meeting at which Owens sought to eliminate any possible criticism of its relationships with Hartford—is deemed sufficient to subject three individual Owens defendants (Greenhalgh, McAdoo, Root) to all the punishment imposed upon the corporate defendants (Owens main brief, pp. 88-9, 92-3).

Inclusion of Collins, Fulton, Fisher and Dilworth.

Isaac J. Collins, T. C. Fulton, W. V. Fisher and J. D. Dilworth are officers and directors of Anchor-Hocking Glass Corporation.

Description of individuals.

Defendant Collins was charged with violation of the anti-trust laws only in his capacity as officer and director of Anchor-Hocking. That corporate defendant, however, was absolved below of any unlawful action and was dismissed from the suit. Defendant Collins was also a director of Hartford during 1926-1937, and was and is a small stockholder thereof, but the complaint failed to charge and the evidence and findings failed to show that this defendant acted wrongfully in this or in any other capacity, or that he "authorized, ordered or did" any of the acts of Hartford adjudged below to have been in violation of the anti-trust laws. On the contrary, the evidence shows that as a dissenting minority director he opposed the licensing policies of Hartford—and the Government has never so much as claimed and the record is wholly devoid of any evidence or findings that defendant Collins ever even voted his Hartford stock in favor of authorizing, ratifying or approving any act or transaction of Hartford found below to have been unlawful (Collins' main brief, pp. 4-11; 14-41).

Defendants Fulton, Fisher and Dilworth were likewise charged with violation of the anti-trust laws only in their capacities as officers and directors of Anchor-Hocking—absolved below of any unlawful action. Neither the evidence nor the findings show any participation whatever by them in any act or transaction adjudged below to have been in violation of the anti-trust laws. These defendants were never officers or directors of any of the corporate appellants but were solely small stockholders of Hartford—and, as in the case of the defendant Collins, the Government has never so much as claimed and the record is wholly devoid of any evidence or findings that any of these defendants ever even voted his Hartford stock in favor of authorizing, ratifying or approving any act or transaction of Hartford

found below to have been unlawful (Fulton, *et al.* main brief, pp. 4-11; 13-23).

Indiscriminate inclusion of individuals.

The judgment punishes defendant Collins, as far as this defendant can discover, for merely being present at a meeting of the Hartford directors in May, 1932 at which time the possibility of a settlement of the then pending litigation between Hartford and Hazel-Atlas was discussed. The judgment disregards the facts—

(a) That neither the findings nor the evidence discloses that any action was taken at this meeting which was in anywise found below to have been unlawful or subject to the slightest criticism,

(b) That the findings affirmatively show that this meeting occurred as far back as May, 1932, over two months prior to the making of the actual agreement of settlement of said litigation,

(c) That said Collins did not attend any meeting of the Hartford directors at which the provisions of said agreement of settlement were discussed or authorized or approved, and did not vote for, authorize, or participate in carrying out the same,

(d) That the findings and evidence affirmatively show that the terms of said settlement were not disclosed to said Collins prior to the execution thereof, and that thereafter the terms of said settlement were not disclosed to him beyond the fact that Hazel-Atlas was paying damages for past infringement and taking a Hartford license at a regular rate of royalty, and he did not learn of the participation by Hazel in Hartford's income or the other provisions of the agreement until the same became public knowledge at the TNEC hearing in December, 1938, and

(e) That the findings affirmatively show that said defendant resigned as a director of and from all participation in Hartford, more than two years before this suit was brought and five years before the judgment was entered.

The judgment likewise ignores the fact that the evidence of the 1932 meeting was introduced:

(a) After said defendant Collins had rested at the conclusion of the Government's case in chief,

(b) After the conclusion of the Government's case as against said defendant, and

(c) At a time when he had no opportunity to introduce evidence as to the same (Collins' main brief, pp. 27-37).

The punishment which the judgment inflicts upon the other above-named individuals is necessarily rested either upon their official actions on behalf of a company absolved by the court below of anti-trust violation, viz., Anchor-Hocking (which obviously constitutes error), or upon their ownership of small amounts of stock in a company found engaged in anti-trust violation, viz., Hartford, without any pleading, evidence or a single finding of any participation in such violation (which is likewise obviously equally erroneous).

The judgment moreover punishes these defendants in their personal capacities and with respect to their personal property not only without any proof of wrongdoing on their part but in a manner out of all proportion to the wholly unfounded claims made against them by the Department and, as hereinafter shown, in a manner needlessly drastic as to any defendant. There is not a single finding of fact and not a scintilla of evidence that any of them engaged or in any wise participated in a single transaction adjudged by

the lower court to have been unlawful, and yet that court's judgment applies to each of them all of the restraints and all of the forfeitures applicable to the corporate and the other individual defendants who directly participated over the years in the events of this suit.

In other words, as in the case of most of the individual defendants associated with corporate appellants, the yardstick applied below to the relief to be granted against defendants Collins and Fulton, *et al.*, is not the yardstick of *their* adjudicated conduct but the yardstick of the sum total of the adjudicated conduct of *all* of the other defendants, corporate and individual, irrespective of the lack of any connection therewith of said Collins or Fulton, *et al.* Thus, for example, defendants Collins and Fulton, *et al.*, who the record shows have never engaged in the distribution of glass-making machinery, are nevertheless enjoined from ever engaging in the distribution of such machinery unless all of the other defendants (over whom none of them has any control), takes specified action, and even then only upon the same terms and conditions prescribed for the other defendants (¶23, R. X, 7666-7). They are required to issue royalty-free licenses although they have never owned any patents (¶24(a), R. X, 7667-8)—and are enjoined from suing for infringement of any such patents now owned or issued on pending applications (they have neither), from suing with respect to glass-making machinery owned by them (there is none) and from suing to collect royalties on these non-existent patents (which they do not have and never have had) (¶26, R. X, 7669-70). Each of them is required, by provisions aimed at others but hitting them, to divest himself of either his small stock interest in Hartford or his substantial stock interest in the dismissed defendant Anchor-Hocking (¶33, R. X, 7674-5). Each of them is precluded from acquiring either assets or

stocks or bonds or any evidence of indebtedness of any other company engaged either in the manufacture and sale of glassware or in the manufacture or distribution of glass-making machinery (¶36, R. X, 7677-8), whether or not the effect of such acquisition is in contravention of law. They are even restricted in acquiring patents although none of them has ever previously acquired or owned any (¶52, R. X, 7687).

These four individual defendants earnestly urge, as pointed out in their main briefs, that as a matter of law neither the findings nor the evidence are sufficient to support any judgment against any of them, since the record fails to disclose participation by any of them in a single transaction adjudged to have been unlawful, and the mere ownership of stock by them in a corporate defendant (Hartford) found to have violated the anti-trust laws, without evidence or finding of their participation in such corporate action, is a wholly insufficient basis upon which to rest a judgment against them. This basic position is fully discussed in their respective main briefs heretofore filed herein. Its basic soundness, however, will, it is believed, be further demonstrated by the consideration herein given to the detailed provisions of the final judgment and the complete lack of any basis in the record for application thereof to them.

Destruction of Trade Association.

The Glass Container Association, Charles R. Stevenson and Emory G. Ackerman, are respectively a trade association of glass container manufacturers and their suppliers, and two officers thereof.

Description of Association.

The Association has engaged in promotional work for the glass container industry, with particular emphasis upon

improving the quality of its products and enlarging the market therefor. In addition, it has engaged in important statistical activities, including for a while a system of forecasts voluntarily abandoned before this suit was brought. In a few isolated cases it has truthfully answered inquiries of potential glass container manufacturers concerning conditions in the industry (GCA main brief, pp. 4-6, 9 *et seq.*).

Destruction of Association.

The judgment in effect dissolves the Association.

The judgment initially enjoins the Association from having any statistical committee (¶37, R. X, 7678-9). Thereby the Association is denied any effective agency for performing one of its principal functions, namely, its statistical work.

The judgment then enjoins the Association from having as officers or employees any officer or employee of a corporate defendant (¶39, R. X, 7679-80). Thereby the Association is effectively divorced from companies representing three-quarters of the productive capacity of the container industry which it seeks to serve.

The judgment finally enjoins the Association from engaging in lawful as well as unlawful trade association activity (¶40, R. X, 7680-2). Thereby the Association is so restricted in its operations that no useful functions may safely be engaged in.

The lower court stated that the Association should not be dissolved (R. Op. Vol. 159). The judgment, however, by its drastic restraints upon the organization, management and functions of the Association, has as effectively achieved dissolution as if the court had entered an express order to this effect.

Certain provisions of the judgment, although purportedly dealing with the Association, also apply in typical loose and injurious fashion to many normal non-association

activities of the other defendants, individual as well as corporate (¶40, R. X, 7680-2).

The Non-Container Industry.

Extension to Corning Glass Works.

Corning Glass Works is engaged in business in the non-container industry, which comprises a very wide variety of products and is totally different from and not competitive with the container industry embracing Hartford and the other corporate defendants.

Description of Corning.

Corning's chief contributions to the non-container industry have been the development of special glass compositions and the 399 or "ribbon" machine for the automatic manufacture of bulbs for incandescent lamps. Corning currently uses between 325 and 350 different glass compositions (R. VIII, 5593) in the manufacture of hundreds of different specialty products. The "ribbon" machine is one of the miracles of modern machinery—so efficient that a single machine, if run continuously, can make approximately 292,000,000 bulbs a year, over one-third of the bulbs required for the total United States production of incandescent lamps for 1938. (Corning main brief, fn., p. 16). Corning expends some $850,000 per year on research.*

Position of Corning on judgment.

Corning was brought into this container case because of a 1922 agreement with Hartford involving the limited

* This bears an unusually high ratio of 4.4% to Corning's sales (Corning main brief, p. 56). In 1939 the average ratio of expenditure on research and development to sales in the glass and glassware industry, as found by the Federal Trade Commission, was 0.78%. Federal Trade Commission Industrial Corporation Reports, Summary by Industry Groups, June 30, 1941, p. 23.

cross-licensing of non-competing patents (Ex. 19, R. I, 698, R. XII, 8606A). Yet this cross-licensing agreement had as a practical matter no perceptible effect in the container industry. Corning's glass formulæ used materials which were too expensive for containers and none of them was used for containers (R. II, 1434, R. VI, 4656). Despite its efforts to do so, Hartford never succeeded in adapting any Corning machine to the manufacture of containers (R. VI, 4224, R. VII, 5545).

In view of this Court's directive of May 15, 1944, however, the reargument on behalf of Corning with respect to the judgment must proceed on the assumption that the merits of the case have been substantially decided against Corning. Consequently no argument will here be made with respect to the provisions of the judgment which adjudicate as illegal, cancel and enjoin the observance of the 1922 agreement (¶27).* Nor will any argument be made with respect to the provisions of the judgment which prevent the individual defendants from holding stock in both Corning and Hartford (¶33), other than to request that the individuals concerned be permitted five years from the effective date of the judgment within which to dispose of their Hartford stock.

Assuming the merits of the case to have been decided against Corning, such provisions of the judgment are reasonably related to the purposes of a civil suit under the Sherman Act of preventing and restraining its violation.

It is submitted, however, that these provisions, with minor additional provisions to be discussed in their turn, fully discharge the functions of a court of equity in this suit with respect to Corning. There is no justification for

* No argument will be made with respect to the 1916 agreement between Empire and Hartford. Empire was substantially merged with Hartford in 1922 and finally dissolved in January, 1941.

the application to Corning of the provisions of the judgment which are based upon the state of affairs in the container industry, with which Corning has no further connection.

Whatever may necessarily or appropriately remain to be done with respect to the container industry, the effective separation of the non-container industry and the non-container defendant, Corning, by reason of Paragraph 27 of the judgment entitles the non-container industry and the non-container defendant to an independent appraisal of what remains to be done with respect to them.

The Alleged Patent Pool.

For the purposes of Corning's argument with respect to the judgment, it may be assumed that the Court has accepted the broadest claim advanced by the Government, namely, the existence of a patent pool of container and non-container patents, created illegally and operated in a manner which violated the law.

In so far as this assumed pool included Corning's non-container patents as well as patents of the container defendants, it no longer exists. The nexus between the patents of Hartford and the non-container patents of Corning, by which alone Corning non-container patents could be said to form part of the pool, namely, the exclusive licenses of the 1922 agreement, was voluntarily cancelled before trial in 1940 and has been cancelled again and enjoined against by Paragraph 27 of the judgment.

Theory of Judgment Inapplicable to Corning.

The rigid control of patents imposed by the judgment, in addition to injunctive relief, extending even to the compulsory royalty-free licensing of patents, is addressed to the situation in the container industry and is based on the contention that there remains an illegal aggregation of con-

tainer patents which have been used to mold and to control the container industry through the Hartford lease-license system, with the result that 94% of all glass containers made in the United States are made on Hartford and Owens patented machines. The Government contends and the court held that the compulsory licensing and other judicial control of the patents involved was necessary in order fully to do away with that claimed illegal domination (Gov't main brief, pp. 40-348, R. Op. Vol. 151, 158).

The record below, however, shows no remotely comparable state of facts with respect to Corning which would justify writing the judgment so as to impose precisely the same obligations upon the patents of Corning as upon the patents of the container defendants (¶24(a), R. X, 7667-8).

Corning's patented machines were never successfully adapted to the manufacture of containers, and Corning is no longer a party to the alleged illegal aggregation of patents. Corning never subjected the non-container industry to the control of a leasing and licensing system, and the Government has conceded its inability to show on this record that the exclusive licenses from Hartford to Corning for the manufacture of non-container products had any monopolistic results in the non-container industry except in the case of heat resistant or ovenware (See pp. 55-57 *infra*).

The Government now seeks to support the adjudication of the monopolization of non-container ware by Corning only with respect to heat-resistant ware. As explained at pages 56-7, *infra*, the adjudication must be confined to ovenware. This adjudication, however, in no wise affects Corning patents.

The adjudication of the monopolization of ovenware is not based upon the violation of the Sherman Act by Corning in using its own patents illegally to monopolize oven-

ware. If it were, such provisions as that requiring the compulsory licensing of patents, if supportable at all, could be applied only to the Corning patents through which the illegal monopoly was acquired. It is not assumed that the final judgment in this case can be based upon any theory of attainder, or that the misuse of one patent can justify the confiscation of another.

In fact, however, the adjudication is based upon the exclusive license from Hartford to Corning to use Hartford patented inventions in the manufacture of ovenware. The findings of the court below upon which the adjudication is founded are cast in terms of the effect of the 1922 agreement (*e.g.*, Finding 62, R. X, 7291). This exclusive license has already been taken from Corning, and if nevertheless the patents involved must be compulsorily licensed, the patents are Hartford's not Corning's.

The "Ribbon" Machine.

The judgment destroys Corning's rights in machinery invented by Corning employees to make non-container ware which are not so much as mentioned in the record, and even destroys Corning's rights in its great invention, the "ribbon" machine (¶¶1(H) and 24(a), R. X, 7656 and 7667-8).

Developed by its own engineers, the "ribbon" machine is exclusively a Corning invention. The Government expressly disclaimed any combination of patents with respect to the "ribbon" machine. Government counsel stated in the course of the trial below:

> "We have never claimed any combination of patents involving the ribbon machine, as far as I know" (R. VII, 5105).

The "ribbon" machine is complete in itself, is radically different from, and is far more efficient than any other machine for the manufacture of glass bulbs (R. VII, 5539).

It was never leased by Corning. The single license outstanding with respect to the ribbon machine (R. VII, 5174) is the subject matter of a separate suit brought by the Government in 1941 dealing with bulbs among other things, which is pending in the District Court for the District of New Jersey. It is to this proceeding that Government counsel referred in the course of the trial below when he stated:

> "I am not talking about bulbs. *That is another case. There is another place and another time for that.* I am talking about containers involved in this case" (R. VI, 4603).

There is nothing in this record to justify writing the "ribbon" machine into the judgment so as to subject it to compulsory licensing and similar sanctions.

The Major Provisions of the Judgment Are Inapplicable to Corning.

The wholly unjustifiable inclusion of the "ribbon" machine in the judgment is illustrative of the manner in which various provisions of the judgment are applied to Corning, although the facts upon which they are sought to be justified with respect to other defendants are not shown in the record with respect to Corning.

When Corning sought to set forth in the record below the state of affairs in the non-container industry, the Government repeatedly objected on the ground that the issues of the case with respect to Corning were confined to such Hartford machines as were used by Corning under the 1922 agreement. When Corning sought to introduce evidence with respect to the 200-inch telescope mirror in connection with demonstrating the uses of heat-resistant glass, counsel for the Government objected on the ground that the mirror could not have been made on the Hartford feeder (R. VII, 5491).

Again in connection with Corning evidence with respect to the manufacture of tubing and the use of glass compositions, counsel for the Government objected:

> "Mr. Isseks: *I object to this line of inquiry unless it is claimed that this particular device was made on Hartford machinery.* I think it is in the same category as the matter they went into, when Your Honor overruled my objection and they talked about that big disc. *It seems to me it is outside of the issues in this complaint.* • • •
>
> • • • • • • •
>
> "Mr. Isseks: I submit, Your Honor, that none of the inquiries are within the complaint, but I haven't objected; but I think the last exhibit, unless they claim it was made on a Hartford machine—
>
> "Mr. Sayles: No, we don't; we cannot claim that.
>
> "Mr. Isseks: I was kind of puzzled how they could. Unless they claim it, it seems to me it is not within the issues of the complaint. Perhaps Your Honor wants to take it, as Your Honor took this other testimony as to articles not made by any automatic equipment.
>
> "Mr. Sayles: This is within the 1922 contract.
>
> "Mr. Isseks: *I still object to it.*" (R. VIII, 5590-1)

The attempt to subject Corning's patents to compulsory licensing and other controls is not based on the facts in the record with respect to Corning, but constitutes an attempt by blurring the facts applicable to each defendant to achieve wholly unjustifiable ends.

Corning respectfully submits that the bulk of the judgment, which is addressed to the control of patents in order to dissipate the alleged illegal domination of the glass container industry, has no valid application to Corning.

Corning will therefore make no further special argument with respect to these provisions in this brief.*

II.

DETAILED ANALYSIS OF JUDGMENT.

The paragraphs of the judgment, when analyzed in detail, demonstrate even more clearly the substantial and reversible errors of that document.

The Department of Justice itself—which prepared the judgment paragraph by paragraph, word for word, and comma by comma—now concedes that whole paragraphs should be deleted or modified (Original Government brief, pp. 327-8) and makes other sweeping concessions, discussed herein, necessitating further drastic changes.

The following pages will take up each paragraph of the judgment in turn. The full language of these paragraphs will not be quoted, however, as the defendants have already submitted their reprint of the judgment to the Court—in addition to the printed copy appearing in the record—and any further printing herein would expand the brief unduly.

Scope and Adjudications.

(Par. 1: Over-Inclusive Definitions.)

Paragraph 1† of the judgment (R. X, 7654-7) determines the general scope and operation of the judgment provisions —by its definitions of judgment terms—and in so doing it extends the judgment provisions to fields clearly outside the adjudicated issues of the present litigation.

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* The remainder of Corning's special argument will be found under Paragraphs 1(B), 1(H), 5, 40 and 45 and that part of Paragraph 27 which cancels the 1940 agreement with Hartford, which in turn cancelled the 1922 agreement and provided for the transfer of certain blocking patents to Corning.

† See pages 2-5 of defendants' reprint of the judgment.

Extension of judgment to containers and non-containers.

Sub-paragraph (C), for example, defines "glassware", as that term is used throughout the judgment. This definition of "glassware" thereby sets the scope and effect of every paragraph in which it is used—and it is used in nearly all—by specifying the "glassware" field to which the judgment forfeitures and restraints apply (See e. g. ¶¶21, 23-26 and 29, R. X, 7665-70, 7672-3).

The term "glassware" is defined here to include both "glass containers" as defined in Sub-paragraph (A) and "non-container ware" as defined in Sub-paragraph (B).

Hartford alone, however, has been specifically adjudicated as restraining trade in both the container and the non-container field—which are separate industries and thus in no sense "related commodities" within the meaning of *Local 167* v. *United States*, 291 U. S. 293. Hartford, Corning and Empire have been adjudicated as restraining trade in non-container ware (¶5, R. X, 7659), whereas Hartford, Owens, Hazel-Atlas, GCA, Thatcher, Ball, Lynch and Fulton, *et al.* have been adjudicated as restraining trade in container ware (¶6, R. X, 7659-60).

The judgment should be modified so that:

(1) The term "glassware" is deleted throughout the judgment;

(2) The judgment provisions apply specifically to "glass containers" or "non-container ware", to the extent justified by the facts; and

(3) Each defendant against whom any judgment is found proper is subject to the judgment provisions only in the field of:

(a) "glass containers"—if said defendant is adjudicated in Paragraph 6 to have engaged in unlawful action with respect thereto; or

(b) "non-container ware"—if said defendant is adjudicated in Paragraph 5 to have engaged in unlawful action with respect thereto.

Extension of judgment to all glassware.

Sub-paragraph (B), furthermore, defines "non-container ware", as *all glass products*—other than flat glass, fiberglass, structural glass, glass brick and products made therefrom, and glass containers—including but not limited to some 50 specific non-container products. This definition is not based upon the non-container glass products with respect to which any defendant was adjudicated to have violated the Sherman Act—namely in Paragraph 5 of the judgment—but upon Exhibit 1568 (R. VI, 3941; R. XI, 8037) which is merely a stipulation defining the container and non-container industries. Not only is there no adjudication with respect to many of the products included in the definition, but there is not even proof that any defendant ever made them or, if they were made, that any improper restraints had ever existed with regard to them.

Such an attempt to expand the definition of "non-container" ware into a general definition of *all* glassware—which varies widely in use, structure, manufacture, appearance, sales policies and markets—should not stand. It results in the application of the judgment provisions to products far outside the scope of this litigation. Sub-paragraph B should be limited to the non-container products covered by the adjudication of Paragraph 5, as modified by the Government's concession with respect thereto, hereinafter discussed. See pages 55-57, *infra*.

Extension of judgment to non-defendant corporations.

Sub-paragraph (D) of Paragraph 1 next defines "corporation", as that term is used throughout the judgment,

and thereby extends the judgment not only to the defendant corporations, but in perpetuity to any corporation which may in the remote future become a "controlled", "subsidiary", "successor", "parent", or "subsidiary of a parent" corporation engaged in the manufacture of glassware or of glassware machinery (R. X, 7655). The alleged sins of the defendants are thus to be visited upon corporate parents, and upon corporate children unto the third and fourth and all succeeding generations.

Under this definition a corporation doing an electrical business or devoted to food or beverage processing—if engaged in some incidental glassware manufacture solely for its own use—would, upon its purchase of the stock of a defendant, become subject in respect to all its glassware and non-glassware business to all the drastic provisions of the judgment. The judgment would apply also to the whole business of any such company whose stock is acquired by a defendant. Yet such business would have been in nowise involved in the transactions herein attacked.

The judgment should be modified so as to apply solely to the corporate defendants. The jurisdiction retained by the court in Paragraph 57 to enforce compliance with the judgment adequately empowers the court to proceed against any improper evasions of the judgment through sham corporate devices.

Extension of judgment to unknown machines.

Sub-paragraphs (F) to (K) and (M) of Paragraph 1 define "machinery used in the manufacture of glassware", "feeders", "forming machines", "suction machines", "lehrs", "stackers" and "methods", as those terms are used in the judgment, and thereby extend the judgment provisions to machines and methods never before the court (R. X, 7656-7).

The judgment definitions embrace—

(a) Existing machinery and methods which purport to include solely those of this litigation, but in fact embrace many others. Feeders nowhere mentioned in the record, forming machines covering all manner of grinding, shaping and polishing machines, unheard of "ribbon" suction machines, and lehrs defined loosely to include all annealing apparatus—all are embraced. The definitions even include old outmoded hand and semi-automatic machines and methods of glass container manufacture.

(b) Future machinery and methods in perpetuity—although the practices herein attacked may be long ended and the future machinery and methods may in no manner relate to the events of this litigation.

(c) Auxiliary and accessory parts—undefined—although they are not involved in this case.

The record demonstrates that there was no investigation whatever to determine what machinery and methods come within these definitions nor any effort to limit such definitions to the particular machinery and methods before the court.

The subsequent paragraphs of the judgment nevertheless impose restraints and forfeitures upon the defendants with respect to machinery and methods thus broadly defined (See e. g. ¶¶21-25, R. X, 7665-9).

These definitions are particularly objectionable because:

(a) Each defendant is subject to restraints and forfeitures with respect to machinery, methods and parts which—as above explained—are outside any charges, issues or evidence in this case and concerning which the defendants never have had their day in court.

(b) Each defendant furthermore is subject to restraints and forfeitures with respect to such machinery, methods and parts although—as explained in the previous briefs of the defendants—that defendant may have participated in transactions relating to one machine only. Thus Lynch, whose business involved forming machines only, is subjected to restrictions in all fields of machinery. And there is nothing in the entire case which in any way relates Ball to lehrs, stackers or forming machines, yet this defendant is subject to restraints involving all of these machines.

The judgment definitions should be written to include solely the types of machines and methods here litigated and those sufficiently "related" thereto to fall within the rule of *Local 167* v. *United States*, 291 U. S. 293—excluding future machines, methods and parts. The subsequent judgment provisions dealing with machines and methods should, as hereinafter more specifically urged, also be rewritten so that, first, their impact upon each defendant is reasonably related to the subject matter of the alleged violations by that defendant and, second, otherwise lawful transactions with respect to machines and methods are enjoined only when connected with, or in furtherance of, such a violation.

Improper inclusion of Corning "ribbon" machine.

Sub-paragraph (H), in defining "forming machines" in the manner above-described, extends the judgment to include even the 399 "ribbon" machine of Corning, a highly specialized machine useful in making glass bulbs (R. X, 7656). The subsequent injunctive provisions of the judgment then require Corning to give royalty-free licenses to use this machine (See ¶24 (a), R. X, 7667-8).

For the reasons stated at pages 42-43, *supra*, there is nothing in this record to justify writing the "ribbon" machine into the final judgment.

Improper inclusion of foreign transactions.

The judgment totally fails to provide, in the definitions of this Paragraph or elsewhere, that the contracts, licenses, corporations and other matters of the judgment are to be limited to the United States, though—in so far as it deals directly with patents—it does limit patents to U. S. patents.

Thus the absolute prohibition of leasing in Paragraph 21 (R. X, 7665-6), by reason of the absence of any territorial qualifications, applies throughout the world.

Again, the extraordinary provisions of Paragraph 29 (R. X, 7672-3), prohibiting normal license provisions and imposing a super Robinson-Patman Act, apply throughout the world.

Similarly, the extreme restraints upon interchange of normal business data in Paragraph 40 (R. X, 7680-2), extend to activities in foreign countries.

It is apparent from the findings and conclusions that the defendants are not charged with anti-trust violations in foreign countries or in respect of transactions with foreign persons. It follows that the defendants should not be subject to the complex restraints of this judgment upon normal contracts and patent dealings in foreign countries —where legal requirements and competitive conditions may sharply differ from those in the United States. To do so would impose drastic handicaps upon American concerns in competition with foreign competitors.

Congress has always recognized that foreign commerce requires different standards than domestic commerce. For this reason the Sherman Act was not given as broad a foreign application as Congress could have given it, Webb-

Pomerene export associations were authorized to indulge in price-fixing restraints in foreign trade, and the Robinson-Patman Act was expressly limited to domestic commerce.

In matters of this complexity there is no basis for indiscriminately giving the present judgment extraterritorial application. The judgment should be modified accordingly.

Improper nullification of federal acts.

Finally, the judgment makes no provision in the definitions of this Paragraph or elsewhere for the exclusion from the judgment prohibitions of cooperative and other action authorized by statutes such as the following:

Emergency Price Control Act (50 U. S. C. App. §905);
Miller-Tydings Act (15 U. S. C. §1);
Patent Law (35 U. S. C. §47);
Small Business Mobilization Act (50 U. S. C. App. §1112);
Webb-Pomerene Act (15 U. S. C. §62).

This is particularly objectionable in that a wide variety of agreements, perfectly lawful under these acts, are prohibited by certain of the Paragraphs (See e.g. ¶¶40-41 and 53-54, R. X, 7674, 7680-2, 7685, 7688-90). The judgment should be modified to exclude from its injunctions action permitted by such acts.

Modification necessary.

Paragraph 1, by extending the judgment beyond adjudicated issues in the manner described, is gravely injurious to the defendants in two respects.

First, it operates to compel the defendants to conduct their businesses at the perpetual risk of summary proceed-

ings for contempt—not only in fields involved in this litigation—but with respect to matters not before the trial court and concerning which the defendants have not had their day in court.

Second, it improperly broadens the scope of a judgment which becomes *prima facie* evidence in treble damage suits under Section 5 of the Clayton Act (15 U. S. C. §16).

The courts have hitherto uniformly ruled that a judgment should be imposed only in a field to which the complaint and the proof relate, where violation of law is found and the effect of the judgment is clear. The imposition of a judgment broadly in all fields—not reasonably related to anything before the trial court—indiscriminately penalizes the defendant with results impossible to predict.

This Court only recently emphasized in *National Labor Relations Board* v. *Express Publishing Co.*, 312 U. S. 426, that a judgment should be limited to the specific acts found to be unlawful—ruling that:

> "This Court will strike from an injunction decree restraints upon the commission of unlawful acts which are * * * dissociated from those which a defendant has committed" (p. 436).

The definitions of Paragraph 1 should therefore—we submit—be modified to conform to the record in this case in the respects hereinabove suggested.

(Par. 2: Normal Jurisdiction Clause.)

Paragraph 2* of the judgment (R. X, 7657) states that the court has jurisdiction of the subject matter and that the complaint sets forth a cause of action.

If a judgment other than of dismissal is to be entered, no objection is made to the provisions of this Paragraph.

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* See page 5 of defendants' reprint of the judgment.

(Pars. 3-8: Over-reaching Adjudications.)

Paragraphs 3-8* of the judgment R. X, 7657-60) broadly conclude that the defendants, in various designated respects, have violated the anti-trust laws.

Paragraph 3 of the judgment initially concludes that all of the defendants have violated Sections 1 and 2 of the Sherman Act.

Paragraphs 4-8 then follow with more specific adjudications of violations of that Act: the Paragraph 4 patents and machinery adjudication relating to all the defendants except the GCA defendants; the Paragraph 5 non-container adjudications to the Corning, Hartford and Empire defendants; the Paragraph 6 glass container adjudications to all but the Corning and Empire defendants; the Paragraph 7 milk bottle adjudications to the Hartford, Owens and Thatcher defendants; and the Paragraph 8 fruit jar adjudications to the Hartford, Owens, Hazel-Atlas and Ball defendants.

Meaningless general adjudication.

Paragraph 3 is a mere echo of the words of the Sherman Act. It vaguely asserts, in the language of the statute, that the defendants have violated Sections 1 and 2 of the Sherman Act, but it fails to explain in what manner these violations have occurred.

This Paragraph is both unnecessary and unreasonably prejudicial. It is unnecessary as it duplicates in a broad way Paragraphs 4-8, which cover the specific adjudications of anti-trust violation charged. It is unreasonably prejudicial as its broad coverage is susceptible of misconstruction in the event of subsequent treble damage actions,**

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* See pages 6-9 of defendants' reprint of the judgment.

** A treble damage action has already been filed against some of the defendants in the name of Turner Glass Corporation as plaintiff, and is now pending in the District Court for the Southern District of Indiana—amount of actual damages claimed $5,000,000.00.

where attempts may be made to use it as *prima facie* evidence, under Section 5 of the Clayton Act (15 U. S. C. §16), of violations neither charged nor found below. It should be deleted from the judgment.

Adjudication with respect to patents and machinery.

Paragraph 4 concludes that all but the GCA defendants have violated the Sherman Act through monopolizing and restraining trade in patents and machinery. These patents and machinery, by the definitions in Paragraph 1, include all patents and machinery used in the manufacture of containers and non-containers.

Thatcher, Collins and Fulton, *et al.* and the other individual defendants are not shown by the record ever to have owned any patents relating to machinery used in the manufacture of glassware or ever to have engaged in the manufacture and distribution of any such machinery. As to these defendants, the judgment should be brought into conformity with the record by deleting their names from this Paragraph.

Corning, Hazel-Atlas, Ball and Thatcher have never engaged in the distribution of any machinery. The adjudication with respect to machinery, accordingly, should not include these defendants.

Finally, Owens has not been in the business of distributing machinery since 1918; its important suction patents have long since expired; and even its gob feed patents have been open to the industry since 1935 through Owens' non-exclusive unlimited license to Hartford. The adjudication as to Owens should be brought into conformity to these facts.

Government concession with respect to non-container ware.

Paragraph 5 adjudicates that Corning, together with Hartford and Empire, has violated Sections 1 and 2 of the

Sherman Act with respect to the manufacture of specific non-container products—as named in the 1922 agreement between Corning and Hartford—namely, laboratory, electrical, paste mold, signal, optical, ovenware, chemical-resistant and heat-resistant ware, and bulbs, tubing and cane.

The Government has conceded, in response to Corning's previous argument (see Corning main brief, pp. 40-49), that this specification is broader than the case will allow. At page 327 of its main brief on the prior argument before this Court, the Government consented to the modification of Paragraph 5:

> (a) To confine to heat-resistant ware the adjudication that Corning (and Hartford and Empire) has monopolized trade in violation of Section 2 of the Sherman Act, and
>
> (b) To exclude laboratory, paste mold and electrical ware from the adjudication of attempted monopolization in violation of Section 2 of that Act.

It is clear that Paragraph 5 should be conformed to the Government's admission of error.*

It is submitted, however, that the reason the Government has agreed to take laboratory, paste mold and electrical ware from the adjudication in this Paragraph of actual and attempted monopolization is that Corning held only non-exclusive licenses from Hartford with respect to these products. Yet non-exclusive licenses are no more subject to attack under Section 1 of the Sherman Act than under Section 2. It follows that laboratory, paste mold and electrical ware should be deleted from Paragraph 5 entirely.

It is further submitted that any adjudication that Corning has monopolized heat-resistant ware in violation of Section 2 should be confined to ovenware. The term "heat-

* This concession with respect to Paragraph 5 would also require the modification of Finding 62 (R. X, 7291).

resistant ware" embraces products as diverse as fine laboratory ware and the 200-inch telescope mirror. It is a classification in terms of a glass *composition* used rather than in terms of a *product*, and in and of itself includes many of the named products of the Paragraph, *i.e.*, ovenware, chemical-resistant ware, some laboratory ware, and many other products. As many Corning products specifically excluded from the adjudication of monopolization in Paragraph 5 are made of glass compositions that are also heat-resistant, that exclusion would be illusory unless the adjudication is confined to ovenware, to which the only evidence upon which the adjudication is based relates (*e. g.*, R. IV, 2997).

Improper application to individuals.

Paragraphs 3-8, finally, conclude not only that every corporate defendant has violated the Sherman Act, but—by the definitions of associated defendants in Paragraph 3—identify by name every individual defendant officer or director as having in his individual capacity violated the Sherman Act to the same extent as his corporation. The Paragraphs similarly apply to the defendants Collins and Fulton, *et al.*, who are neither officers nor directors of any corporate defendant, but merely small stockholders of Hartford.

These Paragraphs, when taken in conjunction with the subsequent Paragraphs (as *e.g.*, ¶¶21-6, 29-35, 40-2, 47-8 and 51-4), subject to the punitive provisions of the judgment all of the individual defendants—not in their representative capacities as officers or directors, in which if at all they participated in the transactions of this suit—but in their personal capacities and properties including their individually owned patents. All the numerous restraints upon normal competition continue to run against each of the individual defendants throughout their lives, irrespective of

their continued connection with the corporate defendants. The practical effect of such provisions of the judgment as those prohibiting leasing, normal patent licensing and normal acquisitions of patent rights, and, more particularly, those for compulsory licensing of future inventions, is that the individual defendants are prohibited from ever becoming effective competitors in the industry, even competitors of their present corporate connections, after they leave those connections.

This application of the judgment to the individuals was totally unnecessary. It would have sufficed if the judgment had applied to the corporate defendants, their directors and officers. As ruled in *United States* v. *Pullman Co.*, 50 F. Supp. 123 (E. D. Pa.):

> "We see no necessity for orders directed against individual defendants by name. Where corporate practices are forbidden or ordered the usual inclusion of the corporate defendants, and their directors and officers is sufficient" (p. 136).

Such a method of dealing with individuals in their representative capacities in relationship to corporate defendants was in fact adopted even in this judgment, in Paragraphs 37 and 39, which run solely against the Glass Container Association "its officers, directors, agents, employees, members and stockholders"—thus making it clear that the impact of these Paragraphs against these individuals is only in their designated representative capacities.

In Paragraph 3, however, and in all the other Paragraphs excepting only Paragraphs 37 and 39, the Department has attempted to create a new rule that whenever a corporate officer or director takes any part for his corporation in action subsequently held to be illegal, that officer or director will be deemed to be acting in a personal

capacity as well and will be punished in that capacity forever.

The Department, as support for this new rule, has urged the alleged authorization of Section 14 of the Clayton Act* (Government brief below, pp. 424-435; cf. R. I, 7-9; R. X, 7280-2).

Section 14 of the Clayton Act does not, however, authorize the application of the present judgment to each and every individual defendant in his personal capacity and property.

In the first place, the Section by its express terms applies only to those individual officers or directors whose corporations have been found guilty of a criminal violation of the anti-trust laws—and thus does not apply to the instant individual defendants whose corporations have been proceeded against in a civil action only and, in the case of one of these corporations, absolved of violation by the court below.

The Section provides fines and imprisonment for corporate officers, directors and agents where "penal"—i.e. criminal—violations by their corporations have occurred. The Section could not authorize the application of this *criminal* punishment for *civil* violations, because in that event criminal punishment would be imposed upon individuals in equity proceedings not providing either trial by jury or the other traditional safeguards of a criminal trial. The subject matter of the Section, in short, solely concerns:

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* "Whenever a corporation shall violate any of the penal provisions of the anti trust laws, such violation shall be deemed to be also that of the individual directors, officers, or agents of such corporation who shall have authorized, ordered, or done any of the acts constituting in whole or in part such violation, and such violation shall be deemed a misdemeanor, and upon conviction therefor of any such director, officer, or agent he shall be punished by a fine of not exceeding $5,000 or by imprisonment for not exceeding one year, or by both, in the discretion of the court" (15 U. S. C. §24).

"penal provisions"
"misdemeanor"
"conviction"
"punished"
"fine * * * or * * * imprisonment".

In the second place, the Section applies only to those individual officers or directors who have authorized, ordered or carried out such a criminal violation by their corporation with knowledge of its illegal nature—and thus does not apply indiscriminately in the manner of this judgment to all the individual defendants here on appeal whether knowingly violating the anti-trust laws or not.

The Section, as interpreted in the charge to the jury in *United States* v. *Standard Oil Company*, CCH Trade Reg. Serv. (8th Ed.), Vol. 3, ¶25,096 (W. D. Wis.), affirmed 310 U. S. 150, applies to a corporate officer only where it is demonstrated:

> "* * * that he knew of the conspiracy and its unlawful purposes, and that he knowingly participated therein" (p. 25, 244).

In the third place, the Section by its express terms only applies to individual officers or directors, who fulfill the above two conditions, in their representative capacities—and thus does not apply, as does this judgment, to their personal activities and properties.

The Section specifically states that it deals solely with corporate and not with personal violations:

> "Whenever a corporation shall violate any of the penal provisions of the anti-trust laws, *such* violation shall be deemed to be also that of the individual directors, officers or agents."

Moreover, even if we assume that Section 14 of the Clayton Act could apply to the individual defendants in their

personal capacities—which we deny for the reasons above stated—we still urge that there is no reason for applying the judgment sweepingly to all of the many individual appellants in the manner here attempted.

The nature of the acts approved, ordered or done on behalf of their respective corporate employers by the various individual defendants has been discussed in detail in the briefs filed on the original argument before this Court; it is unnecessary therefore to reargue the facts of each individual case. The trivial and tenuous connection between most of the individual defendants and the acts of the corporate defendants is strikingly illustrated by the Department's catalog in its brief (Original Government brief, pp. 300-311, 430-3). And in this connection note that the Department's argument before this Court makes no serious effort to defend the impact of the judgment upon the 55 individual defendants associated with corporate defendants, except as to 23 of them, and that as to substantially all of them the Department's charges are directed against the defendants in a representative, and not a personal, capacity.

It is appropriate here to refer to a few illustrative cases. For example, as to four of the Owens individual defendants (Greenhalgh, McAdoo, Root and Barnard), the charges boil down to nothing more than the fact that they were at the meeting of the directors which authorized the execution by Owens of the 1935 agreements which were designed completely to withdraw Owens from any antecedent relationships which could be claimed to have been unlawful (FF. 587, 588, 590, 591, R. X, 7393). As to four others (Schwenck, Boeschenstein, McNerney and Martin) the principal charges are that, in a ministerial or clerical capacity, they signed certain agreements which they did not negotiate, kept the minutes of certain corporate meet-

ings at which they did not vote and attested to the authenticity of the seal of the corporation affixed to certain agreements alleged to have violated the anti-trust laws but which they are not charged to have negotiated (FF. 569-71, 580, 592, R. X, 7389-91, 7394). Apart from the fact that there is no finding that such defendants, and many of the others of whom they are typical, knew that the trivial acts they performed had any connection with a "conspiracy", it would scarcely appear that attesting the seal of an agreement, whether legal or illegal, was an act "constituting in whole or in part" the corporation's violation (Owens main brief, pp. 87-110).

Four of the Hazel-Atlas individual defendants (Paull, Gee, Holloway and Seabright) were not alleged or found to have done anything except as directors to approve the 1932 and 1935 agreements with Hartford and Owens (R. X, 7395). And their approval of the 1932 agreements, the ones principally attacked, was expressly conditioned upon "a favorable opinion by John W. Davis, special counsel, as to their legality" (Ex. 1655, R. VI, 3942, R. XXII, 14078-9). Directors who take action upon advice of highly respected counsel do not knowingly authorize a violation of the anti-trust laws.

Again, the purely ministerial acts of a Hartford defendant (Champeau) in preparing invoices and one voucher (FF. 547, R. X, 7385) are scarcely sufficient to subject him to all the punishment of the judgment.

The individual defendants Collins and Fulton *et al.* are neither officers, directors nor agents of any of the corporate defendants here before the Court, and neither the findings nor the evidence discloses that any of them either as an officer, director or agent of a corporate defendant or otherwise either "authorized, ordered or did" any act adjudged by the court below to have constituted "in whole or in

part" a violation of the anti-trust laws (FF. 617-23, 627-8, R. X, 7399-7400). The corporate defendant of which they were in fact officers, directors or agents—Anchor-Hocking—was dismissed. Otherwise, each of them is a small stockholder of Hartford, but there is not a scintilla of evidence that any of them even so much as voted their stock with respect to a single transaction involved in this suit.

Each of these and other individual defendants—no matter how trivial and innocent his connection with some one of the hundreds of little chips which the Department has pieced together into a mosaic claimed by it to show anti-trust violation—is now punished by the judgment as if it had been alleged and proved that he had planned and executed an entire conspiracy for his own personal advantage.

Modification necessary.

Paragraph 3 should be deleted; and Paragraphs 4-8 should be modified to apply solely to the corporate defendants "their directors, officers and agents", in the limited manner appropriate to each specific corporate defendant, upon such of the findings as may be affirmed by this Court.

The judgment, in other words—to apply the ruling of *United States* v. *E. I. Du Pont de Nemours & Co.*, 188 Fed. 127 (D. Del.)—should correspond to that which:

> " • • • the facts of the case and the law demand" (p. 153).

(Par. 9: Vague Injunction.)

Paragraph 9* of the judgment (R. X, 7660-1) generally enjoins all defendants, individual and corporate, from engaging in any practices, contracts, relationships or under-

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* See pages 9-10 of defendants' reprint of the judgment.

standings having a "tendency" to continue or revive any violation of the anti-trust laws as charged in the complaint.

Impossible burdens imposed on defendants.

This Paragraph is vague beyond redemption.

Under it no individual or corporate defendant, no corporate officer, no employee or agent could safely enter into a single business transaction in the future, even as an individual to earn a livelihood as an employee, until that transaction had been carefully checked against the voluminous Government complaint herein—as interpreted by the huge record of this case—to see whether it would not have in some manner a "tendency" to "revive" something complained of in some one sentence or phrase of the complaint.

Deletion admittedly necessary.

The deletion of this Paragraph—now conceded by the Government to be necessary (Original Government brief, p. 328)—is essential if the judgment is to have any meaning whatever, if entered, as a future guide to the defendants.

It was to provide against just such a vague injunction enforcing broadly all the allegations of a complaint that Section 65 (d) of the Federal Rules of Civil Procedure—substantially the same as Section 19 of the Clayton Act (28 U. S. C. §383)—expressly provides:

> "(d) FORM AND SCOPE OF INJUNCTION OR RESTRAINING ORDER. Every order granting an injunction * * * shall describe in reasonable detail, and *not by reference to the complaint* or other document, the act or acts sought to be restrained * * *".

Paragraph 9 obviously violates this Rule and Statute.

Receivership for Hartford.

(Pars. 10-20: Seizure of Business.)

Paragraphs 10-20* of the judgment (R. X, 7661-5), and the order of August 25, 1942 therein referred to (R. Op. Vol. 161-5), provide for a costly receivership to take over all of Hartford's assets, to oust stockholders, officers and directors from control thereof, and to conduct Hartford's entire business affairs indefinitely.

Punitive nature of receivership.

This receivership obviously is punitive in nature. The entire management of a fully solvent operating company—without any stay even pending appeal (R. Op. Vol. 157, R. X, 7611-13)—has been taken out of the hands of the management and placed in those of a stranger.

This receivership, moreover, although drastic in its punishment, was imposed without giving Hartford its day in court—indeed without even giving notice to Hartford. Hartford was accorded no opportunity of any nature to offer an alternative plan for relief to meet whatever objectives the court may have had—an opportunity heretofore always offered in anti-trust cases to defendants in such circumstances.

This receivership is to continue—not for any specific period of time—but indefinitely. The lower court has to declare itself "satisfied" that no future anti-trust violations "probably" will occur before it will order the re-

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* See pages 10-15 of defendants' reprint of the judgment. These Paragraphs are typical of those in which all defendants do not join. See pages 2 and 20 and the Appendix herein. Owens, Hazel-Atlas, Corning, Thatcher, Ball, Lynch, GCA, Collins and Fulton, et al., and the individual defendants associated with these corporate defendants, have not specifically assigned error to these Paragraphs—which are directed at Hartford—and accordingly have not joined in the discussion thereof.

ceiver to relinquish his control over the operations of Hartford (¶19, R. X, 7665). The result is that Hartford can make no plans for the future, because it has no possible way of knowing when the receivership will end—if ever—being unable to predict what will satisfy the lower court.

Indeed, the receivership provisions of the judgment provide that even if Hartford fully complies with each and every specific requirement imposed by the judgment, nevertheless the receiver or the Department may submit a plan for Hartford's dissolution should either he or it "conclude" for reasons of their own that the judgment is not "operating" to eliminate practices found illegal (¶19, R. X, 7665). This provision is intended only as a coercive threat to put Hartford at the mercy of Department officials, because licensees (R. IX, 6914-6), court (R. Op. Vol., 160 and subsequent rulings) and Government (Fol. 12639) concede that a Hartford in some form should be continued in the public interest (See also Hartford main brief, pp. 67-8). Hartford, however, is to operate in perpetuity in fear of this threatened move for dissolution—no matter how closely it conforms to the requirements specifically imposed upon it by the judgment and even though conditions may have utterly changed from those now before the Court. Thereby for an indefinite term the receiver will control Hartford directly through his broad receivership powers, and subsequently the Department will still control Hartford indirectly through the very potent threat of dissolution for "operation" displeasing to it.

This receivership was totally unnecessary. Hartford had already given substantial relief of the nature sought by the Department—by cancelling the various limitation clauses in its licenses and by taking other substantial action to meet the Department's criticisms. If anything further was needed, such as to prevent the dissipation of assets

allegedly feared by the trial court, a simple injunction enforceable by contempt proceedings would have sufficed.

Deletion necessary.

These Paragraphs should, Hartford submits, be deleted.

The assumption by a court of the management of an operating company such as Hartford, through a receivership, for an indefinite time—refusing any stay whatever, even pending appeal (Order, R. X, 7613)—is a step so inappropriate and drastic that it should not be permitted to continue in this case nor to stand as a precedent to be followed in the future.

In the whole history of the anti-trust laws we find no precedent for the appointment of a receiver except as a temporary step in an actual dissolution. Thus in a few instances where stock was to be disposed of under an anti-trust decree, trustees have been appointed to perform the ministerial duty of holding stock when it seemed probable that it must be held for a long time pending a suitable disposition, and such ancillary relief was necessary. Again, in the *Standard Oil* and *Tobacco* cases it was indicated that *if* a suitable decree were not submitted by the defendants within a reasonable period of months, the court would appoint a receiver pending dissolution—but none was ever appointed.

In no anti-trust case that we have found has the court ever appointed a receiver—as an independent punitive remedy—to operate a going concern indefinitely.

The law was well summarized by the court in *United States* v. *Great Lakes Towing Co.*, 217 Fed. 656 (N. D. Ohio), as follows:

> "While receivership is clearly proper when necessary to effectuate dissolution (*Union Pacific* case, *supra*; *St. Louis Terminal* case, *supra*), it is not

> always necessary even in such case, and should not be resorted to except where necessary. In none of the Anti-Trust cases to which we have referred does there appear to have been actual receivership" (p. 659).

Certainly the judgment should not require Hartford to conform its operations in perpetuity not only to the judgment, but also to the unpredictable "conclusions" of the receiver or the Department—under penalty of dissolution if its "operation" displease those officials (¶19, R. X, 7665). This Court has ruled in *Swift & Co.* v. *United States,* 196 U. S. 375, that:

> "* * * we * * * are bound by the first principles of justice not to sanction a decree so vague as to put the whole conduct of the defendants' business at the peril of a summons for contempt" (p. 396).
>
> "The defendants ought to be informed as accurately as the case permits what they are forbidden to do" (p. 401).

Substitute the word "dissolution" for "contempt" in this quotation, and the ruling applies directly to the instant judgment.

(Par. 15: Seizure of Income.)

Paragraph 15* of the Hartford receivership Paragraphs, generally discussed above, merits separate treatment. This Paragraph (R. X, 7663-4) orders the receiver for Hartford to earmark the royalty income of the company derived from its leased machines, patents and services to licensees, and to return it to the Hartford licensees—after

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* See pages 12-13 of defendants' reprint of the judgment. As previously stated at page 65, Owens, Hazel-Atlas, Corning, Thatcher, Ball, Lynch, GCA, Collins and Fulton, et al., and their associated individual defendants, have not specifically assigned error to this Paragraph—which is directed at Hartford—and accordingly have not joined in the discussion thereof.

this appeal—less possible amounts "paid out" by the receiver for the benefit of particular licensees.

Drastic fine imposed.

The Paragraph unquestionably imposes one of the major penalties of the judgment upon Hartford—far exceeding the fines authorized by the penal provisions of the Sherman Act.

It has in effect fined Hartford, in an equity proceeding, most of its income.

Hartford is not a glass manufacturer—it is an engineering and research development company whose royalty income is derived from inventing, developing, producing, leasing and servicing glass container machines and methods which the Government concedes to be the best in the world (Stip., R. VI, 4467). The Paragraph—in earmarking and ordering returned to licensees that royalty income—has thereby confiscated the income life blood of an organization which all concede should be preserved in the public interest.

This Paragraph is most inequitable. The receiver is ordered to continue to perform as usual under Hartford's license contracts at great expense to the company (R. Op. Vol., 157), but Hartford does not receive payment therefor under this Paragraph. He continues to furnish to licensees large numbers of Hartford's leased machines embodying patented inventions representing 30 years of patient and costly research and development; he continues to maintain a large stock of repair parts for the leased machinery; he incorporates in the machinery Hartford's latest improvements; and he makes available to the licensees Hartford's current commercial developments and its engineering and laboratory services which promote continuous and efficient operation. Statistical and cost-accounting analyses, engineering surveys, glass and operating technique, periodic

operating check-ups and many other services too numerous to be described here are also furnished (See R. X, 7609).

Why should the licensees receive this full performance, and the use of machines and patents owned by Hartford, while their royalty payments which have actually been made for that performance are returned to them? Such an arrangement is completely lacking either in mutuality or fairness. The licensees, both defendant and non-defendant, are making money through the use of this property, research and service. Surely the licensees are not entitled to this use—royalty-free—as a windfall at the expense of Hartford.

This confiscation is not mitigated to any real degree by the vague concluding proviso of the Paragraph to the effect that amounts "paid out" by the receiver for the benefit of licensees should be reimbursed to Hartford. In the first place, this proviso is conditional upon a finding that such amounts are "properly chargeable and allocable" to the licensees. There is no assurance of any money—no theory or measure of recovery—only an intentionally (R. IX, 6901) vague promise of money if Hartford is finally thought to be entitled to it. In the second place, the proviso is limited to reimbursement of monies "paid out" by the receiver for the benefit of particular licensees. But all research and development are done, and all improvements are made, for the benefit of all licensees and not for the benefit of any single licensee or group of licensees. Likewise Hartford's services are organized and maintained for the benefit of all licensees, regardless of the extent to which any particular licensee may happen to benefit from such services during a particular period of time.

Moreover, there would seem to be no payment to Hartford for the valuable use of its leased machines, inventions and development representing 30 years of costly engineer-

ing, which would not qualify as money "paid out" by the "receiver".

In short, the Paragraph does not cancel the license contracts, treating all parties equally. Rather it forces one contracting defendant to treat the contracts as fully in effect—imposing a form of involuntary servitude—while releasing other contracting defendants from correlative obligations.

This confiscation of Hartford's royalty income of course threatens Hartford with bankruptcy in the very near future —to the injury of its stockholders* and employees as well as of the industry served by it. The receiver has carried on the operations of Hartford under court direction—paying for the expenses thereof out of Hartford's capital. In this manner the receivership—far from preserving the *status quo*—has resulted in a compulsory dissipation of Hartford's capital at the rate of "over $100,000 a month" (R. X, 7581). This means a capital dissipation of over $2,400,000 by August 25 of this year alone—two years after the entry of the order appointing the receiver.**

Once again we note that what emphasizes the harsh nature of this Paragraph is the total lack of any necessity therefor. Hartford's rental and royalty income was not restraining trade. It was being received pursuant to license and lease agreements which had been stripped—before trial —with Government encouragement—of the limitations ob-

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* An examination of Hartford's stock records—made pursuant to the inquiry of the Chief Justice during the prior oral argument—reveals that an overwhelming majority of Hartford's individual stockholders did not participate in the transactions alleged herein to violate the anti-trust laws.

** The court below entered an order on May 25, 1944, subsequent to the taking of this appeal, which found that Hartford's cash on hand had been reduced from $3,297,400 on September 1, 1942 to approximately $800,000 as of the date of the order—a loss of $2,497,400.

jected to by the Government (R. I, 435-41, 441-3, 611 *et seq.*; also see pp. 5-7, *supra*). Why should that income be seized?

Deletion necessary.

Paragraph 15 should be completely deleted.

The compulsory performance by Hartford of its contractual obligations in full without a corresponding compulsion upon the licensees to perform their obligations is nowhere authorized by the anti-trust laws. It is undisguised judicial punishment of one contracting defendant for the benefit of other contracting defendants, and as such condemned by this Court's ruling in *Standard Oil Co.* v. *United States,* 221 U. S. 1 that:

> "• • • penalties which are not authorized by law may not be inflicted by judicial authority" (p. 77).

No precedent whatever exists for the Paragraph.

The courts have uniformly held that a contracting party, even though found to have violated the anti-trust laws, does not for this reason forfeit all recovery for goods and services.

> *Connolly* v. *Union Sewer Pipe Co.,* 184 U. S. 540;
> *Cincinnati, etc. Packet Co.* v. *Bay,* 200 U. S. 179;
> *D. R. Wilder Manufacturing Co.* v. *Corn Products Refining Co.,* 236 U. S. 165;
> *A. B. Small Co.* v. *Lamborn & Co.,* 267 U. S. 248;
> *Gasoline Products Co.* v. *Champlin Refining Co.,* 46 F. (2d) 511 (D. Me.)

The courts have ruled that, where they *forbid* enforcement of his contracts, the contracting party may at least recover *quantum meruit. Pullman's Palace Car Co.* v. *Central Transportation Co.,* 171 U. S. 138, 151-2. It would follow that, where they *require* enforcement of his con-

tracts, he should certainly recover no less an amount and properly should recover the price specified in the contracts thus involuntarily enforced.

No public interest could possibly be served by Paragraph 15. The judgment requires a *court* receiver to perform *non-exclusive, unrestricted* license agreements (R. I, 435-41, 441-3), which the licensees here before this Court insist are legal. (See assignments of error of the various defendants.) Neither the performance by the receiver nor the payment of royalties therefor by the licensees could possibly involve any restraint of trade. The public interest involved is that contractual obligations mutually entered into should be mutually observed until both parties are released—and that a research, production and service company of vital importance to the small manufacturer (see the two *amici* briefs previously filed) should not be destroyed. Certainly during an appeal it is highly inequitable to upset the *status quo* by threatening the solvency of the licensor.

Even the Government concedes that Hartford should be compensated for the servicing of its leased machines in the hands of its licensees and perhaps also for the use of its machines by those licensees (Original Government brief, p. 409) and that its capital already impaired to the extent of millions of dollars by the judgment should be restored (Transcript of November 1943 argument, p. 353).

If Hartford is to live to serve the glass container industry in the manner desired by all (see pages 22, 66, *supra*) its earmarked income should be released to it in order to restore its depleted capital, to pay for the property and services provided by it to licensees, and to furnish it with sufficient funds to meet future contingencies.

Forfeitures Involving Machinery.

(Par. 21: Prohibition of Leasing.)

Paragraph 21* of the judgment (R. X, 7665-6) enjoins all defendants other than the GCA defendants, when engaged in the business of distributing machinery used in the manufacture of glassware, from leasing or otherwise distributing that machinery by means other than outright sale on specified terms.

Lawful leasing prohibited.

The Paragraph, in its prohibition of leasing, is without any qualification. Leasing for proper or for improper purposes is equally banned. Leasing of one or of many machines, whether firsthand or secondhand, and whether patented or unpatented, is barred.

Leasing by Hartford is forbidden even though leasing and licensing is the only practical manner by which it has been able to finance its research, development and service work of admittedly great benefit to the industry (R. II, 1406-7). It takes years of time and enormous amounts of money to bring new ideas in the glass art to commercial use. A machine engineering company operating in a limited market such as the glass container field cannot successfully recover, by outright sale of its machines, the cost of its years of research, development and experimental work. The cost would be too great to be paid as a lump sales price by the small (as distinguished from large) manufacturers relying upon that company for the latest in efficient machines. Such a research company must therefore amortize the cost of its research and development over a period of time by charging relatively small rental charges on its leased machines.

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* See page 15 of defendants' reprint of the judgment.

Leasing by the other defendants is equally forbidden even though none, except Owens, has ever engaged in the business of leasing—and Owens had discontinued its lease-licensing business as long ago as 1918 (R. VIII, 6227; FF. 477, R. X, 7373).

The prohibition is so sweeping that it reaches out to the individual defendants who have never owned or leased machines in their lives.

The leasing attacked in this suit has involved only specified patented machines, yet as previously stated the prohibition applies to virtually all patented and unpatented machinery—present and future—for the manufacture of glassware.

A normal business practice, used in every American industry, is thus barred to certain individuals and companies of the glass container and non-container industries, and the defendants are put at a perpetual disadvantage in being denied the use of a lawful contractual relationship available to their competitors.

Adverse results of prohibition.

The right to lease property is one of the normal and legitimate incidents of ownership. The defendants should not be deprived of the ordinary civil rights enjoyed by other citizens when the exercise of those rights is not illegal *per se* or an illegal part of a forbidden conspiracy.

The right to lease, indeed—whether the leased property be machinery, real estate, or other property—is not only a normal incident of ownership but, more important, an essential prerequisite to a competitive economy. Leasing, we have pointed out, is primarily demanded by the small manufacturer—who has not the cash resources of the large manufacturer and thus can neither develop new and expensive machines nor buy them outright. Prohibit leasing, and

you reduce the number of machines which the small manufacturer can afford, and thereby weaken his competitive position in comparison to that of the large manufacturer.

As emphasized in *United States* v. *United Shoe Machinery Co.*, 222 Fed. 349 (D. Mass.), affirmed 247 U. S. 32, with respect to the effect of leasing patented machines:

> "It enabled manufacturers of small and moderate means to embark in manufacturing to an extent which would have been impossible for them, if they had been obliged to purchase machinery" (p. 352).

Leasing is of particular importance to vigorous competition in the container industry. For as previously explained, the small manufacturer has thereby been able to obtain —in return for reasonable payments periodically made to an industry engineering organization, namely, Hartford— elaborate, well-serviced machines, constantly improved by the research and development of the lessor, who has had a property as well as a contract interest in incorporating the best and latest developments in its machines. The Davids of the industry have in this manner been equipped as efficiently as the corporate Goliaths.

The Government itself concedes that Hartford's furnishing of machinery, research and services in connection with its lease-license contracts have contributed to competition in the container industry (Stip. Ex. H-6152, R. IX, 6737, R. XII, 8595) and thereby have served the public interest. These contributions to competition would be curtailed if not entirely cancelled should its lease-licensing be prohibited— even if the judgment be modified in other respects sufficiently to permit Hartford to survive—for in that event Hartford would be forced to restrict its activities strictly to manufacturing and sale and thus could not successfully finance its research and services (R. II, 1406-7).

It is important to note here that the glass container industry, although it requires large investments in plants and equipment, still affords only a limited market for new machinery. See Ex. H-5749 (R. VIII, 5733, R. XXVII, 15435), which shows, for example, that Hartford feeders in the licensees' hands increased by only 30 in 1939, 33 in 1940, and 48 in 1941; while its most popular forming machine, the I. S. or Individual Section Machine, increased by only 22 in 1939, 50 in 1940 and 24 in 1941. The market for new Hartford machines is also limited by the very services which Hartford furnishes to keep the installed machines up to date and in efficient operation. Obviously, manufacturing profits on outright sales of Hartford machines would not support Hartford's research and development. Leasing is therefore necessary if Hartford is to continue as a research and development organization—as it concededly should, in the interest of the industry and in the public interest.

Modification necessary.

Paragraph 21 should at least be modified as follows:

In the first place, Hartford—the only defendant engaged in leasing machinery—should at most be enjoined from leasing pursuant to or as part of an illegal conspiracy, but not otherwise. Leasing in and of itself—being *per se* lawful and beneficial to competition—should not be outlawed.

Of course if any specific provisions of Hartford's leases are found to be *per se* unlawful—as distinguished from leasing in general—these may be forbidden unconditionally.

In the second place, the defendants other than Hartford should be deleted entirely from the Paragraph. With the exception of Owens—who discontinued the practice in 1918—they have not been engaging in leasing and accordingly should not be punished for what they have not done.

We respectfully submit that a retention of Paragraph 21 in its present form would be possible only on the theory that, because the defendants have allegedly violated the anti-trust laws in some manner, they may be punished by depriving them of a normal competitive right—in this instance leasing. But, as pointed out in *United States* v. *Standard Oil Co.*, 173 Fed. 177 (C. C. E. D. Mo.):

> "Past unlawful competition does not deprive parties of their right to conduct lawful competition" (p. 192).

(Pars. 22 and 26(b): Confiscation of Machinery.)

Paragraph 22* of the judgment (R. X, 7666) obligates Hartford to sell to its lessees all machines for the manufacture of glassware, presently leased by Hartford, at reasonable prices determined by taking into consideration past rentals and royalties paid by the lessees.

Paragraph 26(b)* then forbids any suit interfering with the possession by lessees of such leased machinery (R. X, 7669-70).

Confiscation of physical property.

These Paragraphs, like the others of the judgment, are unqualified. Hartford is unconditionally obligated to sell all of its glassware machinery, of any and all description—being completely stripped of its leased property, worth millons of dollars, and enjoined from repossessing the same.

These Paragraphs moreover force Hartford to sell its machines at a reasonable price *minus* to an uncertain extent—i. e., after "taking into consideration"—all license

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* See pages 15-16 and 20 of defendants' reprint of the judgment. This Paragraph is directed at Hartford, and accordingly Owens, Hazel-Atlas, Corning, Thatcher, Ball, Lynch, GCA, Collins and Fulton, *et al.*, have neither specifically assigned error to nor joined in the discussion of Paragraph 22.

fees and rentals and all royalties for inventions previously paid by the lessees (¶22, R. X, 7666). This would be analogous to requiring a houseowner who has rented a house for many years to sell the house to his lessee at a reasonable price less some undefined proportion of the past rent—possibly less all of it. Hartford may get very little for its machines.

These Paragraphs, furthermore, impose upon the lower court—and thus on appeal this Court—the burden of determining the sales price of each separate machine used by each separate licensee in the inevitable event that the lessor and its lessees disagree upon those prices.

Paragraph 26(b), incidentally, puts Hartford in the absurd position of not being able to repossess a leased machine even if a lessee should refuse to buy it under Paragraph 22.

No necessity for confiscation.

The Paragraphs are not necessary on any theory that the past fees, rentals and royalties of Hartford were unreasonably high and for this reason the machines should be given to the lessees. These sums were low, unchallenged by the Government (Stip., R. VII, 5331)—averaging approximately 3.5% of the selling price of the ware produced by the machines (Hartford main brief, pp. 54-5). They were paid, moreover, for good consideration—namely the use of machines embodying Hartford's revolutionary inventions and engineering developments, and for many valuable Hartford services to licensees.

The Paragraphs similarly are not necessary on any theory that Hartford through its leases exercises undue control over its lessees and that the confiscation of Hartford's machines will break up such control. This for two reasons. First, Hartford neither does in fact nor can in law

exercise any control over its lessees' production or prices through its present leases. The leases are simple, unrestricted 8-year leases, renewable at the option of the lessees for a similar period of time (e. g., Ex. H-5782, §4, R. VIII, 5983, R. XIII, 9655, 9658). The record discloses no instance of Hartford ever refusing to renew these leases—as indeed it could not have done under the terms of the leases even had it desired to do so. Second, even if any provision of Hartford's leases could somehow be construed to give Hartford any improper control over its lessees—which it denies—the Paragraphs should enjoin the enforcement of such a lease provision rather than force the sale of Hartford's property.

Unlawful nature of confiscation.

These penal Paragraphs are not only unnecessary but they completely disregard the past rulings of this Court which should be here controlling.

Thus these Paragraphs transfer the property of one defendant to other defendants—in complete disregard of the well-recognized principle of anti-trust law that the law leaves such parties where they stand.

> *Harriman* v. *Northern Securities Co.*, 197 U. S. 244.

Again, these Paragraphs provide for the transfer of this property at possibly nominal prices—in further disregard of the equally recognized principle of anti-trust law that such transfer should not destroy property, but should only require its exchange for something reasonably equivalent in value.

> *Northern Securities Co.* v. *United States*, 193 U. S. 197, 355, 357;

Standard Oil Co. v. *United States,* 221 U. S. 1, 78-9;
United States v. *American Tobacco Co.,* 221 U. S. 106, 185.

These Paragraphs, furthermore, improperly take into consideration past rental and royalty payments—paid for good consideration and not claimed to be high—which should not influence any determination of a fair market price for the machines at the present time. Even if these past payments were high they could not be taken into consideration, for as emphasized in *United States* v. *United States Steel Corp.,* 223 Fed. 55 (D. N. J.), affirmed 251 U. S. 417:

> " 'The function of an injunction is to afford preventive relief, not to redress alleged wrongs which have been committed already' " (p. 59).

The Government, in defending these Paragraphs, concedes that Hartford should obtain more than nominal or confiscatory prices for its machines, but claims that if the Paragraphs are confiscatory Hartford should wait until after the confiscatory sales before raising the objection (Original Government brief, p. 375). The difficulty with this Government suggestion, however, is that if the Paragraphs are not changed now, they will be *res judicata* and bar Hartford's objections later. If the Paragraphs are not to be confiscatory, even under the Government's theory they should now so state.

As pointed out by this Court in *J. I. Case* v. *National Labor Relations Board,* 321 U. S. 332:

> "A party is entitled to a definition as exact as the circumstances permit of the acts which he can perform only on pain of contempt of court. Nor should he be ordered to desist from more on the theory that he may violate the literal language and then defend

by resort to the Board's construction of it. Courts' orders are not to be trifled with, nor should they invite litigation as to their meaning" (p. 341).

The Government's concession, moreover, even if incorporated into these Paragraphs, would not cure the basic error of the Paragraphs—which consists of forcing the sale of all Hartford machine property.

The effect of these Paragraphs—even if they should be revised to force the sale of Hartford's machinery only at reasonable prices—would be to eliminate Hartford as an engineering and research company for the container industry. For, as we have previously pointed out, lease-license contracts are the only practical way in which Hartford has been able to finance its contributions to the industry (R. II, 1406-7).

In short, force the sale of Hartford's machines and Hartford is forced out of the research and engineering business—to the obvious disadvantage of the small glassware manufacturer and of the public.

Modification necessary.

The Paragraphs should be completely rewritten.

If it should be held that Hartford has exercised any unlawful control over its lessees by means of its leased machinery, it would be appropriate to enjoin Hartford from future exercise of such control.

Hartford otherwise should be permitted to retain its machine property and attendant rights of ownership—so that it may continue to furnish its essential research, engineering and machine services to the glass container industry.

The defendants other than Hartford should be completely excluded from the impact of Paragraph 26 (b)—as they already are omitted from Paragraph 22.

(Pars. 23 and 25: Obligation to Sell.)

Paragraphs 23 and 25* (R. X, 7666-9) impose upon all but the GCA defendants, in so far as they now or in the future may engage in the business of distributing and selling glassware machinery, the obligations of a public utility.

Sweeping obligations imposed.

Paragraph 23 requires the defendants, when engaged in the distribution of machinery used for the manufacture of glassware, to offer—

(a) To sell such machinery to any applicant,

(b) At reasonable and equal prices, terms and conditions,

(c) Without any permission to change prices, based on a change in economic or market conditions, except after a 30-day public notice to the industry, and

(d) With court review in the event of any dispute between a defendant and an applicant—from which direct appeal lies only to this Court.

Paragraph 25 then enjoins these same defendants, when engaged in the distribution of machinery used in the manufacture of glassware, from discriminating between customers, whether by requirement contracts or otherwise and whether on the basis of size of order or otherwise.

These Paragraphs have an immediate impact only on Hartford and Lynch, since they alone among the instant defendants presently distribute glassware machinery. Owens, the only other defendant that has ever distributed machinery, discontinued this business in 1918.

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* See pages 16-19 of defendants' reprint of the judgment.

The Paragraphs, however, are made equally applicable to all defendants, including the individual defendants, whenever in the future they engage in distributing machinery—and whether or not they have ever in the past engaged in such distribution. The inevitable effect of the Paragraphs will be to discourage—if not preclude—them from ever distributing machinery.

The harsh burdens imposed by the Paragraphs include:

(1) The surrender of the right to lease—as compulsory "sales" are required;

(2) The surrender of the right to select one's own customers—as sales must be made to "any" applicant;

(3) The compulsory furnishing of possibly all machines ever in one's line—for a "continuing" offer to sell the machinery is required;

(4) Equal treatment of all customers down to the most minute delivery term—because "equal terms and conditions", allowing for no differences even to reflect savings in cost, are commanded and "discrimination" by any means is forbidden;

(5) Price rigidity—for prices can be changed only to conform to "economic and market conditions" and then only after "30 day" waiting periods;

(6) Curtailment of price competition—as price reductions to particular customers to meet competition are completely barred by the requirement of "equal" terms to all, and general price reductions are possible only after "30 day" delays;

(7) Judicial determination, through law suits in the last analysis, of all prices, terms and conditions—such "determination" being expressly invited.

Modification necessary.

Paragraphs 23 and 25 should be modified.

In the first place, Hartford, which distributes a general line of glassware machinery, should at most be enjoined from refusing to deal with any present or potential customer, or from discriminating against any such customer, pursuant to or as part of an illegal conspiracy.

This defendant has been charged with refusing to license and with discrimination pursuant to an alleged unlawful conspiracy, and if the court should find in accordance with this charge Hartford would appropriately be enjoined from such acts pursuant to such a conspiracy.

The provisions of the Paragraphs providing additional or inconsistent obligations upon Hartford are entirely unworkable and should be deleted. The prohibitions of leasing, the denial of the right to select one's customers, the requirement of rigidity in price and terms, and the condemnation of even reasonable price differences—which forbid lawful action *per se* in no wise related to a conspiracy of the nature here charged—are both wrong in theory and impractical in operation.

It is significant to note here that Hartford, for four years, has been supplying its machinery to all responsible applicants, under unlimited licenses and pursuant to standard license terms. Any further relief by these Paragraphs, other than that which will be afforded by the judgment modified as above proposed, would be entirely unnecessary.

In the second place, the defendants other than Hartford should be deleted from the Paragraphs.

Lynch distributes but one kind of glassware machines, namely "forming machines", and it takes the position that neither the evidence nor the findings justify the inclusion of Lynch in these Paragraphs. Throughout its entire his-

tory Lynch has sold its machines outright on uniform terms in competition with Hartford and others.

The remaining defendants do not distribute any glassware machinery, and any obligations on their part, in a business in which they do not engage, would be both illogical and improper. They should not be obligated to assume the status of public utilities merely because—in some collateral manner—they may be found to have violated the anti-trust laws.

This Court only last term in *United States* v. *Bausch & Lomb Optical Company,* 321 U. S. 707, in holding that a violator of the anti-trust laws may still select his customers, emphasized that:

> "Congress has been liberal in enacting remedies to enforce the anti-monopoly statutes. But in no instance has it indicated an intention to interfere with ordinary commercial practices" (p. 728).

Forfeiture of Patents.

(Pars. 24 (a) & 26 (a) (c): Confiscation of Present Patents.)

Paragraph 24 (a)* (R. X, 7667-8) requires all defendants other than the GCA defendants, whether corporate or individual, to license royalty-free all machines and methods used in the manufacture of glassware which embody inventions covered by present patents or patent applications of the defendants.

Paragraph 26 (a) and (c)* (R. X, 7669-70) then partly duplicate Paragraph 24 (a) by enjoining the defendants for an indefinite time from bringing any suit, or taking any other action to enforce any rights in, any existing patents or patent applications relating to glassware machinery.

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* See pages 17 and 19-20 of defendants' reprint of the judgment.

Adoption of TNEC recommendation.

These Paragraphs represent the major TNEC legislative recommendation of the Department of Justice: forfeiture of patents — without compensation — for anti-trust violation. Having failed to get Congressional approval of that recommendation, and being unable to point to any court decision supporting it, the Department proceeded to incorporate this legislative change into its draft of judgment summarily approved below.

These Paragraphs fully achieve that legislative purpose of the Department. The judgment in this test case declares that the penalty for anti-trust violation involving patents is the grant of "royalty-free licenses" and a wholesale prohibition against the exercise by the federal courts of the powers conferred by 35 U. S. C. §§67 and 70 for the enforcement of patents. The sole right conferred by a patent is the unqualified right to exclude. By destroying that right, the judgment as effectively destroys the patents as any outright forfeiture thereof.

The extra-legal character of the Paragraph 24(a) is indicated by its very language, which, instead of enjoining violations of the anti-trust laws, deprives defendants of the common liberty to engage in interstate commerce unless, under coercion, they submit to the judgment by filing an instrument with the Clerk of the Court in which they "agree" to sacrifice their statutory patent rights.

The patents thus destroyed by the Paragraphs are not claimed here to be invalid patents, whatever may be the status of one of the patents of one of the defendants as the result of recent litigation before this Court. The Government has on repeated occasions conceded that it does not question in this suit either the propriety of the issuance of the defendants' patents or their validity after issuance (R. II, 901; R. VI, 4288; R. VIII, 5635-7).

The patents thus destroyed by the Paragraphs, moreover, are not claimed to be valueless. Hartford's patents alone are worth many millions of dollars. In addition there are the patents of all of the other defendants. The value of the confiscated patents is hundreds of times greater than the maximum statutory fines in a criminal anti-trust suit.

Furthermore, patents are destroyed without any limitation other than that they have some use in the glassware industry. The judgment destroys all patents of the defendants on glassware machines and methods, in the container and non-container fields, whether the product of a defendant's own research or patents acquired from others. Patents personally held by individual defendants and not even mentioned in the record are destroyed. Mythical patents of defendants such as Thatcher, Collins and Fulton, *et al.*, who have never owned patents, are also included. Even pending patent applications, yet to be passed upon by the Patent Office, are rendered worthless. These patents are not suspended for a period of time; they are destroyed in perpetuity. The destruction of all these patents and patent applications has the earmark of an attack by the Department upon patents *as such*—an attack upon all the defendants' property rights in existing patents, irrespective of the lack of any alleged impropriety in their procurement, or alleged illegal combination in their use. The judgment here assumes the character, not of corrective action in equity, but of legislation of the most general application to all persons before the court and to all "businessmen" sought to be "guided" by this test case (See pages 4-5, *supra.*)

The net effect of the Paragraphs—in thus destroying these patents—would be threefold.

First—Hartford would be destroyed and the interests of its few large and many small stockholders therein wiped out. As previously explained, Hart-

ford is not a glass manufacturer but an engineering, development and research organization, serving the container industry, whose income is principally derived from leasing machinery covered by its patents. Hartford's destruction, however, will not benefit the public—rather it will injure the public by blotting out a great inventive organization of proven merit that has taken 30 years to build and has enabled the public to have better glassware at lower prices.

Second—The other defendants would be injured in direct proportion to their interest in research and invention. Patent assets representing millions of dollars spent in years of research are to be erased from their books, to the injury of thousands of innocent stockholders.

Third—A dangerous precedent is set up under which a civil section of the anti-trust laws becomes in effect a criminal statute enforceable without any of the safeguards and limitations of criminal prosecutions, pursuant to which unusual and cruel punishment may be meted out in complete disregard of the limits set by Congress in the criminal sections of the Sherman Act. That which Congress designated a corporate "misdemeanor" punishable by fine not to exceed $5,000 is improperly translated into a corporate felony punishable by corporate death or by forfeiture of property rights running far beyond the maximum criminal fine.

Repudiation of past precedent.

The forfeiture of patent property—with no compensation whatever being paid to the patentee—has on many occasions been flatly forbidden by the courts.

The courts have emphasized that patents, like physical objects, are property and thus entitled to the same protection as any other property.

Seymour v. *Osborne,* 11 Wall. 516, 533;
Cammeyer v. *Newton,* 94 U. S. 225, 226.

The courts have explained that patents are not to be confused with the gratuitous grants of privileges to governmental favorites, such as the "patents" and "monopolies" granted by English kings to royal favorites. For they deprive the public of nothing—being rights obtained pursuant to the Constitution and the patent laws as compensation for the invention and disclosure of something new which becomes public property after a limited term of years. Without this patent compensation or reward the inventor would keep his invention to himself, and thereby perpetuate a common law monopoly over the invention far beyond the statutory 17 years.

United States v. *Dubilier Condenser Corp.*, 289 U. S. 178, 186-7.

The courts have ruled that patent property may no more be appropriated or confiscated by the Government for general public use—without just compensation—than land, factories or any other property.

James v. *Campbell*, 104 U. S. 356, 357-8;
Hollister v. *Benedict & Burnham Manufacturing Company*, 113 U. S. 59, 67;
Solomons v. *United States*, 137 U. S. 342, 346;
William Cramp & Sons Ship & Engine Building Company v. *International Curtis Marine Turbine Company*, 246 U. S. 28, 39-40.

The patents of a patentee who violates the anti-trust laws—this Court has repeatedly held—are as much property protected by the law as the patents of any other person. Such a patentee—while subject to the remedies specifically provided by the anti-trust laws—does not become an outlaw to be despoiled of all his patent possessions and his source of livelihood destroyed.

In *Standard Sanitary Mfg. Co.* v. *United States,* 226 U. S. 20, for example, patent license agreements were found to have violated the Sherman Act. The question then arose as to the status of the patents so used. The decree answered this question by stating expressly that the patents were not forfeited but should remain enforceable:

> "* * * this decree shall not be construed to prevent whoever may be the owner or owners of the Arrott patent and other dredger patents relating to the manufacture of sanitary enameled ironware, from granting lawful licenses to any of the defendants or others to use such patents, or to prevent the defendants or others from taking lawful licenses to use any of such patents" (Decrees and Judgments in Federal Anti-trust Cases (1918), p. 265).

In *United States* v. *Motion Picture Patents Co.,* 225 Fed. 800 (E. D. Pa.), appeal dismissed 247 U. S. 524, patent agreements likewise were found to have violated the anti-trust laws. There once more the court refused to forfeit the patents involved. Instead the decree of the court flatly stated that:

> "Nothing in this decree contained shall be construed to prevent whoever may be the owner or owners of the patents relating to the motion picture art named in the pleadings and evidence herein from granting lawful licenses under lawful conditions to any of the defendants or to others, nor to prevent the defendants or others from taking lawful licenses from the owners of said patents. Nothing herein contained shall be construed to prohibit whoever may be the owner of the said patent or patents from collecting royalties in the future from licensees" (Decrees and Judgments in Federal Anti-Trust Cases (1918), pp. 379-380).

Ethyl Gasoline Corp. v. *United States,* 309 U. S. 436, is particularly in point. There (a) certain patents, (b) certain

licenses to refiners, and (c) certain fictitious licenses to jobbers were found to have been used in violation of the anti-trust laws. This Court, however, in no wise ordered confiscation. The patents were left intact; the licenses to refiners were revised by the deletion of objectionable clauses but otherwise left standing; while only the fictitious licenses to jobbers—being disguised resale price maintenance agreements rather than licenses—were stricken down.

Accord: *United States* v. *Univis Lens Co.*, 316 U. S. 241.

In short, the courts have no more destroyed patents, when confronted with patent aggregations or misuse, than they have ordered the destruction of the plants and other physical property of the *Standard Oil* and *Tobacco* aggregations in 221 U. S. 1 and 106.

Not justified by "clean hands" doctrine.

The Government seeks to derive comfort from the *Carbice, Morton Salt* and *B. B. Chemical* cases as justifying the patent confiscation of Paragraphs 24 (a) and 26.

The rule enunciated by these cases is simply that a patentee who has used a patent unlawfully may be disqualified, under the doctrine of "unclean hands", from receiving the assistance of equity to enforce in a patent infringement suit:

(a) The patent misused,

(b) In the field of misuse,

(c) Until the misuse has ceased, and

(d) The consequences of the misuse have been dissipated.

These decisions are not here applicable for five distinct reasons, each of which alone suffices to bar the application of the doctrine of these cases to the instant suit.

In the first place, these cases merely represent a salutary "clean hands" doctrine of denying relief to a plaintiff, in an infringement suit, who seeks to use his patent in an unlawful manner.

This Court summarized these cases in *Mercoid Corporation* v. *Mid-Continent Investment Company*, 320 U. S. 661, as follows:

> "In those cases both direct and contributory infringement suits were disallowed on a showing that the owner of the patent was using it 'as the effective means of restraining competition with its sale of an unpatented article' " (p. 665).

This "clean hands" doctrine has no application to a Government proceeding, such as the instant suit, where the Government rather than the patentee is seeking relief.

In the second place, these cases apply this "clean hands" doctrine only to specific patent rights which have been so misused that their enforcement in aid of the misuse would violate sound public policy.

The cases make it entirely clear that the disqualification of a patentee plaintiff is not a general personal disqualification—or a disqualification of all of its patent property. Thus in *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, this Court emphasized that the doctrine of that case was limited to "the patent" objected to—agreeing that:

> " * * * 'equity does not demand that its suitors shall have led blameless lives' " (p. 493).

Accord:

> *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240.

These cases give no support whatever to the forfeiture of all of the patents in the glassware industry of all of the defendants, without any attempt to identify patents alleged

to have been unlawfully used in the manner outlined in those cases.

In the third place, these cases apply this "clean hands" doctrine only where effective statutory remedies are lacking.

This Court in *Morton Salt Co.* v. *The G. S. Suppiger Co.*, 314 U. S. 488, recognized that it was not authorized in an infringement suit to take affirmative action to prohibit the unlawful action there involved (p. 490), and accordingly it merely declined to act:

> "• • • until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated" (p. 493).

This purely negative doctrine has no place in a proceeding such as the instant suit, where the court is authorized by statute to "prevent and restrain" any unlawful action by injunction irrevocably terminating such action—and has no need for negative remedies.

In the fourth place, even these cases apply this "clean hands" doctrine only temporarily—namely, until the unlawful action has ceased and the consequences have been dissipated.

This Court emphasized in *Mercoid Corporation* v. *Mid-Continent Investment Company*, 320 U. S. 661, that relief in a *Morton Salt* situation is withheld from the patentee only during the temporary period of misuse, namely:

> "• • • where the patentee and those claiming under him *are* using the patent privilege contrary to the public interest. *Morton Salt Co.* v. *G. S. Suppiger Co.*" (p. 669).

Upon the abandonment of the unlawful action and the dissipation of the consequences thereof—this Court pointed

out in *B. B. Chemical Co.* v. *Elmer A. Ellis,* 314 U. S. 495 —the patentee is again free to seek relief from the Court:

> "It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated" (p. 498).

The *Chemical* and *Salt* cases, in other words, indicated neither directly nor indirectly—in the manner urged by the Government here—that the patent rights involved were never to be enforced. Nor did they indicate that patentees, merely because of anti-trust violation, were to lose their patent property without any compensation whatever. To cite illustrative discussions of these cases denying that patent forfeiture was thereby authorized:

American Lecithin Co. v. *Warfield Co.,* 105 F. (2) 207, 211 (C. C. A. 7th), certiorari denied 308 U. S. 609;

Novadel-Agene Corp. v. *Frederic H. Penn.,* 119 F. (2d) 764, 766-7 (C. C. A. 5th), certiorari denied 314 U. S. 645;

Sylvania Industrial Corp. v. *Visking Corp.,* 132 F. (2d) 947, 958 (C. C. A. 4th), appeal dismissed 319 U. S. 771;

Landis Machinery Co. v. *Chaso Tool Co., Inc.,* 141 F. (2d) 800, 805 (C. C. A. 6th);

United States v. *United States Gypsum Company,* 53 F. Supp. 889 (Dist. Col.);

Universal Sewer Pipe Corp. v. *General Const. Co.,* 42 F. Supp. 132, 134 (N. D. Ohio, E. D.).

The Assistant Attorney General in charge of the Anti-Trust Division at the time of this suit himself conceded in a Senate hearing, during the course of this litigation, that

the *Morton Salt* case did not authorize forfeiture of a patent for violation of the anti-trust laws (Hearings before the Committee on Patents, United States Senate, 77th Cong., 2nd Sess., S. 2303 (Part 2). Instead, he thought it necessary to seek Congressional legislation to this effect:

> "We believe that a *greater hazard* should be put upon the abuse of the patent privilege for cartel purposes than can be found in the *Morton Salt* case. We recommend, in the light of this decree, legislation giving the Government a right to cancel any patent which has been used as an instrument to create a domestic or international cartel" (p. 948).

Finally, Paragraphs 24(a) and 26 themselves show little resemblance to the *Morton Salt* and similar cases:

PARAGRAPH 24 (a): This Paragraph applies to *all* glassware machine and method patents and patent applications of the defendants. Furthermore, it provides for the wholesale destruction of those patents *in perpetuity*. This is a far cry from the doctrine in the *Morton Salt* case, of refusing the aid of equity to enforce specific patents for a limited period of time.

PARAGRAPH 26: This Paragraph likewise applies to *all* glassware machine and method patents and patent applications of the defendants—however innocent. Moreover it enjoins enforcement thereof (1) in *any* field whether in a *lawful* or an *unlawful* manner and (2) for a vaguely indefinite period, namely until *all* defendants have discontinued *all* anti-trust violations and the effects of *all* of these violations have been dissipated. Thus, even though a defendant has completely purged himself of all conduct objected to herein, and has never thereafter used his patents beyond their scope, he nevertheless is not permitted to enjoy any of his patent property until all other defendants have likewise so purged themselves and until a further undefined

time of total dissipation has elapsed. This departs widely from the doctrine in the *Morton Salt* case of refusing to enforce only specific patents, in a manner to forward unlawful monopolistic control, until the specific patentee's unlawful conduct has ceased and a reasonable interim for dissipation of the challenged actions of the specific patentee has elapsed.

Public policy opposed to confiscation.

We respectfully submit that any confiscation of patent or other property for violation of the anti-trust laws—without any compensation whatever—would clearly be against public policy.

It would be impossible to overestimate the serious effect of such a doctrine upon research and development organizations, large and small, which have contributed in the highest degree to the progress of recent years.

If all the fruits of their years of research are to be swept away because they may have in some manner violated the anti-trust laws, then not only will they have suffered losses so great as to stagger the imagination—but the incentive for research created by the patent laws will be subject to hazards so great that it may be destroyed.

If any incentive for research remains, it will be to keep the results of research secret in order to avoid confiscation —thereby defeating the basic purpose of the patent statutes which is to obtain public disclosure of all inventions.

The harshness of patent confiscation for anti-trust violation is all the more apparent when one contemplates the extreme difficulty of determining what constitutes a violation of the Sherman Act. The law itself, as this Court has recently said in *Apex Hosiery Co.* v. *Leader*, 310 U. S. 469, 489, is decidedly vague in its language; and it could hardly be denied that its interpretation has shifted with

the passage of the years. The decisions of the appellate courts have practically always been divided, and in a very large proportion of the cases they have reversed the decisions of the courts below.

The Department of Justice itself has been frank to admit the impossibility of determining in advance the proper meaning of the anti-trust laws. No one could have stated this more sincerely or more effectively than Mr. Justice Jackson himself did some years ago when he was with the Department, in his article in the Pennsylvania Law Review (*Monopolies and the Courts,* by Jackson and Dumbauld, 86 U. Pa. L. Rev. 231), in which he said:

> "In view of the extreme uncertainty which prevails as a result of these vague and conflicting adjudications, it is impossible for a lawyer to determine what business conduct will be pronounced lawful or unlawful by the courts. This situation is equally embarrassing to business men wishing to obey the law and to government officials attempting to enforce it" (p. 232).

In a case where it is impossible even for the Government itself—much less for businessmen—to tell with certainty what may or may not lawfully be done, surely cruel and confiscatory punishments ought not to be applied. The harshness of such a rule is all the more apparent in this particular case because in substance it is an *ex post facto* punishment. The courts, up until the District Court's opinion herein, had approved the acquisition of non-competing patents and the issue of limited licenses. Similarly the courts had held that punishment for anti-trust violation did not include confiscation of patents or other property.

Equity should at most enjoin future violations of law, when it changes its views towards patent and anti-trust

law, rather than impose outright penalties which are more properly the function of criminal proceedings.

Repudiation of views of Congress.

Congress, in any event, has decided this question of public policy, and in doing so has ruled out forfeiture of patents for anti-trust violations.

This is demonstrated in part by the fact that Congress has provided specific penalties for a violation of these laws —and patent forfeiture is not among such penalties.

This is likewise demonstrated by the fact that Congress has repeatedly declined to add patent forfeiture to these specific penalties for anti-trust violation. Among other patent forfeiture bills which Congress has refused to adopt are H. R. 7739, 53rd Cong., 2nd Sess. (1894); H. R. 20388, 60th Cong., 1st Sess. (1908); H. R. 11796, 61st Cong., 1st Sess. (1909); H. R. 2930, 62nd Cong., 1st Sess. (1911); H. R. 16828, 62nd Cong., 2nd Sess. (1912); H. R. 14865, 53rd Cong., 2nd Sess. (1914); S. 2783, 70th Cong., 1st Sess. (1928); H. R. 7457, 75th Cong., 1st Sess. (1937); S. 2491 and S. 2730, 77th Cong., 2nd Sess. (1942).

The executive branch of the Government has been in accord with these views of Congress. Thus President Roosevelt in his Message to Congress of April 29, 1938, in suggesting that Congress enact new laws containing some of the theories of patent and anti-trust laws now appearing in the instant judgment, was careful to state that:

> "Of course, such amendment should not deprive the inventor of his royalty rights".

Modification necessary.

Paragraphs 24 (a) and 26 (a) (c) should be modified.

In the first place, all defendants other than Hartford should be deleted entirely from these Paragraphs.

The corporate defendants Ball and Thatcher and the individual defendants including Collins and Fulton, et al., are charged neither with unlawfully acquiring, nor with unlawfully using, patents. Obviously therefore these defendants should not be subject in any manner to the compulsory licensing and forfeiture provisions of these Paragraphs.

The corporate defendants Owens, Hazel-Atlas, Lynch and Corning, likewise merit deletion from the Paragraphs.

Owens, for example, cancelled all its prior agreements with Hartford, relating to feeders and forming machines, in 1935; and even the Department does not charge it with participation in Hartford licensing since 1937. Its lehr and stacker patents have never been misused; and its few unexpired suction patents have been wholly without interest to any other manufacturer for more than a decade.

Hazel-Atlas, again, merely entered into a non-exclusive license agreement with Hartford, relating to feeders and forming machines, in 1932 — under which all contracting parties remained as free to grant licenses to others as they were before the agreement was entered into. Hazel-Atlas did give an exclusive license with respect to suction patents to Owens, but this was meaningless as Hazel-Atlas has never had a suction patent, has not used suction machines since 1929, and the exclusive feature of the license was cancelled in 1942.

Lynch likewise merits deletion from these Paragraphs. This defendant entered into a non-exclusive license agreement with Hartford, relating to forming machines, in 1933— containing certain limitations. Wide mouth forming machines were released from any requirement of a license from Hartford in 1938, however, and the entire agreement was

cancelled on September 18, 1940—Lynch receiving instead a simple non-exclusive, unlimited license pursuant to which Lynch has offered to sell and has sold all models of its machines without requiring any purchaser thereof to obtain a license from Hartford. In addition, certain exclusive licenses to Hartford and Owens of secondary importance, relating respectively to feeders and suction, were cancelled in the latter year.

Corning has set forth its position with respect to these Paragraphs at pages 38-45, *supra*.

In the second place, if Hartford is found by this Court to possess an illegal aggregation of patents—despite the considerations urged in the prior briefs of this defendant (See e.g. Hartford main brief, pp. 89-110)—it could appropriately be required to dispose of, for proper consideration, such patents and exclusive patent rights as are held to have been unlawfully acquired from others—retaining only patents on its own inventions, patents properly acquired from others, and strictly non-exclusive rights under all other patents.

Hartford submits that this disposal of any patents found by this Court to have been unlawfully acquired by it from others would provide full and adequate relief. For the patents and patent rights thereafter remaining to it, under the proposed modification of these Paragraphs, could not cause any possible restraint of trade. Hartford for four years has followed the policy—to which it is formally committed—of lease-licensing its patented machinery to all responsible manufacturers, present or potential, seeking in return only reasonable compensation to permit the continuation of its services to the container industry (Hartford main brief, pp. 69-73). Since October 7, 1940, by the Government's own admission, the glassware fields to which Hartford patents relate have been open to all (Fol. 3695).

The Paragraphs in other respects should be deleted.

The decision of *United States* v. *Terminal Railroad Association of St. Louis,* 224 U. S. 383—cited by the Department—does not require relief inconsistent with this modification of the Paragraphs. The *Terminal* case gave to the defendants in that case the option *either* of breaking up a monopolistic railroad terminal *or* of compulsory dealing on reasonably compensatory terms. The defendants were not required to do both. There was no forfeiture of any nature there involved.

Under the modification here suggested, the defendants in the instant case would break up their "terminal" if one is found to exist.

Thus Hartford—if found to possess an alleged "terminal" of patents—would dispose of such of its patents as may be found to have been acquired unlawfully from, and would refrain from all exclusive relationships with, all other defendants under this proposed modification of Paragraphs 24 (a) and 26.

Again the other defendants—in so far as they are found to have contributed patents or exclusive rights to Hartford —would no longer contribute to the "terminal". Indeed they are commanded to cease from doing so by Paragraph 27—and have in fact already ceased by their voluntary cancellation of the contract provisions objected to by the Department.

No further relief would be necessary.

(Par. 24 (b) (c): Confiscation of Future Patents and Trade Secrets.)

Paragraph 24 (b) and (c)* of the judgment (R. X, 7668) require each defendant—other than the GCA defendants—

> (b) To license to every applicant, at a reasonable royalty, all machines and methods used in the manu-

* See page 18 of defendants' reprint of the judgment.

facture of glassware which embody inventions covered by any future patents of the defendant, and

(c) To make available to every licensee (whether a royalty-free licensee under ¶24(a) or a paying licensee under ¶24(b)) a copy, at cost plus reasonable profit, of all drawings and patterns of the defendants relating to machines or methods used in the manufacture of glassware which embody in some respect licensed inventions.

Adoption of TNEC compulsory licensing.

Paragraph 24(b) enacts, as against the defendants, the Department's TNEC recommendation, rejected by Congress, that all patentees be compelled to license their patents at reasonable royalties. It thus reduces all future patents of all the defendants to a mere right to collect such royalties as the District Court may from time to time, after a full trial, determine to be reasonable—with direct appeal to this Court.

But both under the Constitution and under the patent statutes, an American patent is not the right to collect royalties, reasonable or unreasonable; it is the unqualified and unrestricted right to exclude from any use of the patented invention. The Constitution confers power upon Congress to promote the progress of science and the useful arts in only one manner—"by securing for limited times to authors and inventors the *exclusive* right to their respective writings and discoveries." The patent laws enacted by Congress pursuant to that grant of power provide that every patent shall contain a grant, "for the term of seventeen years, of the *exclusive* right to make, use and vend the invention * * *." (35 U. S. C. §40). Since an inventor has a common law right to use his invention, either secretly or openly, the *only* right conferred by a patent is *the right to exclude others* from the invention precisely marked out by the claims of the patent.

When that right of exclusion is destroyed by a requirement that licenses be granted to every applicant—as in the instant judgment—the primary value of the American patent is destroyed.

Broad scope of the forfeiture.

This forfeiture embracing all the defendants' future patents has no possible place in a judgment under Section 4 of the Sherman Act that purports "to prevent and restrain" the violations found to exist—even assuming affirmance by this Court of the findings made below.

The patents affected are yet unborn; they can have no possible relation to any violation found to have existed. The defendants affected include even Thatcher, Collins, Fulton, *et al.*, and numerous individual defendants, who have never even owned patents. For all time, the constitutional mandate and the patent laws granting to inventors "for limited times * * * the *exclusive* right" to their inventions are wholly nullified and set aside as to all the defendants.

Not only do the confiscatory provisions of Paragraph 24(b) embrace the unborn inventions of defendants who never had any patents: it extends this forfeiture even to the defendants' future research into fields beyond the glassware industry. The defendants are required to license "any applicant * * * to use any * * * machines and methods used in the manufacture of glassware", while Paragraph 29 requires that those licenses be unlimited as to "type or kind of product (whether glassware * * * or any other product whatsoever)". If, as happens to be true of Owens, a defendant is engaged in research in the field of plastics other than glass and develops a machine or process primarily for use in that other field, but capable of use in manufacturing glassware, that defendant's plastic research so far as that

machine or process is concerned is opened to every competitor in the plastic field, however much greater in that field may be the strength of the competitor than that of the coerced defendant. Hartford and the other defendants which engage in research would likewise be subject to such extensions of the forfeiture of this Paragraph.

Thus, Paragraph 24(b), coupled with Paragraph 29, achieves the vindictive purpose of the Department to put the defendants "in a different class than other people", not merely in the field of glassware, dealt with by the complaint, but "in connection with every other phase of their businesses".

Not justified by Department.

The Department's primary defense of this Paragraph in the prior argument before this Court—unsupported by a single relevant case or a single record citation—was that research, even of the other corporate appellants, had been discouraged at least "in those fields in which Hartford asserted that its patents were dominant", that the appellants were in a position where "they could reasonably expect to control the future" of glassware technology, and that "no independent person now starting to work in that field could expect to compete with the appellants on equal terms for years to come" (Original Government brief, pp. 363-4). That argument not only reveals a basic disregard of the functioning of a competitive industry, but also repeats the fundamental misunderstanding of the nature of patents which runs through the patent provisions of the judgment.

The glass container industry is and has been a competitive industry with a capacity averaging 68.6% in excess of demand between 1928 and 1939 (Exs. GCA 3032-3, R. IX, 6623, R. XXVIII, 16242A-16243). If there had

been, as the Department contends, a conspiracy during all that period it would be ended by a proper decree, and the industry would be even more vigorously competitive in the future than it has been in the past. And the history of that industry, like all other competitive industries, has been that no corporation can maintain its position on the basis of patents. About 1903 Michael J. Owens invented the automatic suction bottle machine and patented it. The invention was so revolutionary that Owens quickly became the outstanding leader in the field. But Owens could not control the technology of the industry. Hartford, one of the upstart newcomers, which upon the Department's theory could never hope to compete with Owens, developed the "gob feed" process shortly after it was formed in 1912. Owens' revolutionary suction machinery and its basic patents were superseded by the new technology and now no one but Owens has any interest in suction, even though all its suction patents of any importance expired long ago. Experience in other industries has taught the same lesson; the roster of deceased corporations contains the names of many once preeminent in an industry who relied upon patented inventions that became obsolete or were superseded in the development of the industry's technology. A patent controls the invention, and only the invention, claimed; no patent, no group of patents, can confer on the patentee control of a technology in an era such as this.

Not only do the Department's arguments completely disregard both the nature of patents and the history of competitive industries, but they are based upon the wholly false premise which underlies most of the Department's contentions and the patent provisions of its judgment. In drafting, and in its arguments in support of, the patent provisions of its judgment, the Department assumed that the alleged conspiracy which it so thoroughly destroyed by

other overreaching provisions would continue in full vigor after the judgment. That premise is evidenced by its argument that Paragraph 24(b) is "reasonable" because the decree will be ineffective "if the day after it is entered the *appellants* are free to begin in the Patent Office a new campaign for dominance in which *they* can use all the power *their* present control of research and technology gives *them*" (p. 364). It requires little analysis to realize how absurd is that statement. Seven corporate defendants, conspiring together in the acquisition of plants, assets and patents of competitors and in exclusively cross-licensing their own inventions, might conceivably control for some period the technology of an industry. But, even if this Court disbelieves the defendants' insistence that many of them never had cooperated with other defendants, and that all cooperation between Owens and Hartford ended in 1935, certainly it is clear that any judgment entered in this case will effectively prohibit any future joint action which may violate the anti-trust laws. The "appellants" will be prohibited from engaging in a "campaign" using all "their" power; each will have to act separately, employing its own research, its own "know-how", its own researchers and inventors. And it is obviously preposterous on its face to assert that each of seven corporate defendants will be in a position separately to dominate the technology of an industry for any period, let alone in perpetuity.

Certainly no one of the corporate defendants has any present monopoly on research. If no company presently has any monopoly on research, there is little likelihood that any company following this litigation will achieve one. The major contentions of the Department in support of its overreaching judgment are based upon the obviously untrue assumption that there will be a conspiracy five or fifty years after the decree. This Paragraph of the judgment—

like most of the others—was drafted by the Department to apply to each defendant individually; it is now defended by the Department as if it applied only to all the defendants acting in concert.

Repudiation of views of Congress.

Paragraph 24(b) drastically revises in this test case the American patent system — premised upon the patentee's unconditional right of exclusion — which the President's National Patent Planning Commission (House Doc. No. 239, 78th Cong., 1st Sess.) found to be:

"* * * the best in the world" (p. 1).

Whether Congress has the constitutional power to change the substance of a patent, either generally or as a penalty for violation of the anti-trust laws, by qualifying the absolute exclusivity of a patentee's rights to his patented invention, is a question which is not presented by this case. Nor is this brief an appropriate place to argue the merits of compulsory licensing of all patents—in perpetuity.

Congress alone is authorized to make such a fundamental change in our patent system—and it has uniformly refused to take such a drastic step—after holding thorough and frequent public hearings.

Proposals for adoption of compulsory licensing were made as early as 1877, have subsequently been often repeated, and have uniformly been rejected. The following among other bills for such compulsory licensing have been pressed unsuccessfully upon Congress. H. R. 10314, 52nd Cong., 2nd Sess. (1893); S. 2116, 62nd Cong., 1st Sess. (1911); H. R. 8776, 62nd Cong., 1st Sess. (1911); H. R. 26185, 62nd Cong., 2nd Sess. (1912); S. 3225, 67th Cong., 1st Sess. (1922); S. 3474, 69th Cong., 1st Sess. (1926); S. 705, 76th Cong., 1st Sess. (1927); S. 2783, 70th Cong., 2nd

Sess. (1928); S. 203, 71st Cong., 1st Sess. (1929); S. 22, 72nd Cong., 1st Sess. (1931); S. 290, 73rd Cong., 1st Sess. (1933); S. 383, 74th Cong., 1st Sess. (1935); H. R. 9259, 75th Cong., 3rd Sess. (1938); H. R. 9815, 75th Cong., 3rd Sess. (1938); H. R. 10068, 75th Cong., 3rd Sess. (1938); H. R. 7192, 76th Cong., 1st Sess. (1939); S. 2303, 77th Cong., 2nd Sess. (1942); S. 2730, 77th Cong., 2nd Sess. (1942); H. R. 1371, 78th Cong., 1st Sess. (1943); cf. S. 300, 45th Cong., 1st Sess. (1877).

Even these bills did not propose to go so far as this judgment does in providing for compulsory licensing; for they recognized the patentee's exclusive rights and preserved them so long as the patentee should supply the demand for his patented invention.

Destruction of trade secrets.

Paragraph 24(c) in requiring the compulsory disclosure of trade secrets, goes beyond even the Department's TNEC recommendations for compulsory patent licensing.

The Paragraph forces all defendants to "agree" under coercion to deprive themselves of highly confidential drawings and patterns of great value, under penalty of being debarred from engaging in interstate commerce.

Defendants own thousands of drawings embodying not only patented inventions but engineering designs. These drawings constitute intellectual property. They are defendants' exclusive property. It is the custom of architects and engineers to retain ownership of their drawings and designs as their "stock in trade" or "trade secrets".

The patterns owned by defendants are forms for making impressions in sand molds in which metal is cast to form parts of machinery. They constitute physical property, and also intellectual property to the extent that they follow drawings and specifications necessary to the intricate and

difficult art of casting different kinds of metals to make various machine parts.

So sweeping is the Paragraph that it may possibly be interpreted to require the handing over of all of these designs, blue prints and patterns relating not only to machines in commercial use—but to all machines however used—even experimental models built for research only. It clearly applies to machines which have never been leased or sold but merely used by a defendant in his own business.

A machine may have only one patented part, yet confidential drawings and patterns relating to all the unpatented parts of that machine must be disclosed to all.

How possibly could any research organization of a defendant operate under this Paragraph, when its research trade secrets upon which its life depends must be turned over even to competitors?

The Paragraph operates so that even in the event of a deadlock between the inventions of a competitor and those of a defendant, the competitor can immediately demand access to and the use of all the patterns and drawings of the defendant, in addition to his patents, but the latter is given no right to demand as a condition of such access reciprocal access to the patterns and drawings of the competitor.

These provisions with respect to future patents, patterns and drawings, it will be noted, are not limited to any period of time, but extend in perpetuity. Wholly new machines, for making articles never before made of glass, are affected.

Individual defendant inventors, a number of whom have been honored as inventors for their great contributions to American industry, are to be followed by these provisions for life. Many who have spent their lives developing their engineering and inventive abilities in the glass container industry are barred from effectively pursuing their vocations by these provisions. Even if any such defendant should

leave his present employer he could never, under this Paragraph, retain for himself or for his new employer exclusive rights to patents on inventions thereafter made by him.

Imposition of burdens on the courts.

These provisions with respect to future patents, patterns and drawings, it should be further noted, contemplate that the lower court—and on appeal this Court—will in perpetuity administer the research, development and licensing business of all the defendants here involved.

All the future patents, patterns and drawings of the 7 corporate and 57 individual defendants, covering glassware machines and methods, are to be licensed or made available upon terms to be settled ultimately in court proceedings. Every applicant for a license or for patterns and drawings and every defendant applied to will be entitled to a law suit to obtain a judicial determination, after a full trial, of the elusive questions of a "reasonable royalty" and "cost * * * plus a reasonable profit" with respect to each patent, pattern or drawing—as the case may be—proposed to be licensed or furnished.

That determination will involve the many intricate issues which arise in assessing damages in an infringement suit where the patentee does not have an established licensing system with uniform royalties. The utility of the invention or trade secret to the applicant in the light of the extent to and manner in which it will be used by him, the prospective savings and profits which may reasonably be expected by the applicant from use thereof, the degree of its commercial acceptance, the advance of the invention or trade secret over the prior art, the investment of the patentee in research, and all the various other factors involved in arriving at a reasonable royalty rate or price will have to be weighed at length by the District Court.

The Paragraph thus thrusts upon the District Court a burden which it is not qualified to assume. It makes that court the perpetual licensing agency for each of the defendants, corporate and individual.

It is doubtful if the court below realized the enormous problems which this and the other paragraphs of the judgment impose upon it. Determination of reasonable prices (¶23), determination of reasonable royalties (¶24(b)), determination of costs and fair profits (¶24(c)), review of discrimination (¶¶23, 25 and 29) and approval of contracts of all degrees of importance (¶31)—all are transferred from the competitive business arena to the bench. In addition, Hartford points out, the court has undertaken the operation of that company's business (¶¶10-20), the valuation of its services to licensees (¶15) and the valuation of its physical property (¶22).

These problems will require expensive trials in Toledo, with attendant burdens upon the court and upon the non-resident defendants, whose principal places of business are as far away as Hartford, Connecticut; Corning and Elmira, New York; and Wheeling, West Virginia. All defendants will in effect have to maintain business offices in Toledo, because all important problems will have to be decided by the Toledo court. Business will have to be conducted on a litigation basis—no changes being permitted until cumbersome court clearance which, when appeals are taken into consideration, may take years to accomplish. During court adjournments business must suspend.

These problems will, of course, all be thrust eventually upon this Court, as each litigant will have the right of a direct appeal under the Expediting Act.

The courts have hitherto carefully refrained from assuming such sweeping administrative burdens. They have realized that when the legislature acts on administrative

problems it creates administrative agencies and administrative standards adequate to cope with the problems thereby raised; whereas if the courts should so act they must not only themselves act as an administrative agency but must also improvise administrative standards—a task for which the courts are not equipped.

The observation of Mr. Justice Brandeis in his dissent in *International News Service* v. *The Associated Press*, 248 U. S. 215—in opposing the assumption of administrative powers by the courts without benefit of legislation—is most pertinent here:

> "Courts would be powerless to prescribe the detailed regulations essential to full enjoyment of the rights conferred or to introduce the machinery required for enforcement of such regulations" (p. 267).

Deletion necessary.

Paragraphs 24(b) and (c) should, we submit, be deleted.

Obviously the Paragraphs should not apply to those defendants, such as Thatcher, Collins and Fulton, *et al.*, who have never owned any patents.

Similarly the Paragraphs should not apply to the other defendants. No restraint of any nature in drawings and patterns by these defendants is shown by the record, and no restraint of future patents by these defendants could by its very nature be evidenced.

This Court has repeatedly emphasized, as in *Standard Oil Co.* v. *United States*, 221 U. S. 1, that:

> "* * * one of the fundamental purposes of the statute is to protect, not to destroy, rights of property" (p. 78).

Paragraph 24 is a far cry from this usual standard of equity, however, when it reaches out to destroy patents

and trade-secret property innocent of the slightest taint of wrongdoing.

This destruction of exclusive rights to future patents, untainted by anti-trust violation, is clearly bad. The Constitution (Article I, Section 8) and the patent laws (35 U. S. C. §40) guarantee to the inventor the exclusive right to his inventions, and no judicial legislation should nullify that guarantee. As Chief Justice Marshall stressed in *Grant* v. *Raymond*, 6 Pet. 218, the right of an inventor to the exclusive use of his patented invention is a right to which:

> "• • • the public faith is pledged" (p. 242).

The destruction of exclusive rights to confidential drawings and patterns is equally bad. Compulsory disclosure of such trade secrets, in the language of *United States* v. *Basic Products Co.*, 260 Fed. 472 (W. D. Pa.) constitutes:

> "• • • a contemplated search and seizure, and a contemplated taking of private property for public use, without due process of law, which are violative of the Fourth and Fifth Amendments of the Constitution" (p. 482).

Trade secrets, as this Court ruled in *Board of Trade* v. *Christie Grain and Stock Company*, 198 U. S. 236, unconditionally belong to the owner thereof, who—

> "• • • has the right to keep the work which it has done, or paid for doing, to itself" (p. 250).

So long as Congress retains in the patent grant the absolute right of "exclusivity," and until Congress provides that trade secrets, unlike every other form of property, must be made available to all competitors—the courts lack constitutional power to appropriate for the benefit of private parties, particularly a patentee's competitors, any part of

a patent grant or of trade secrets, even upon the payment of compensation. The grant of compensation does not justify the taking of private property for wholly private purposes.

Cole v. *LaGrange*, 113 U. S. 1;
Missouri Pacific Railway Company v. *Nebraska*, 164 U. S. 403;
See also *Dohany* v. *Rogers*, 281 U. S. 362.

It is significant that the Department itself has doubts with respect to this destruction in perpetuity of future patents (Original Government brief, fn. 15, p. 365) and trade secrets (*Id.*, fn. 90, p. 341), for it suggests the possible future modification of the Paragraph (*Id.*, fn. 89, p. 340).

Restraints upon Licensing.

(Pars. 27-28: Cancellation of All Licenses.)

Paragraphs 27 and 28* (R. X, 7670-2) cancel every contract, lease and license of Hartford, whether with any defendant or with anyone else, relating to the manufacture of glassware, and all agreements between Owens and Hazel-Atlas and between Hartford and either of them.

Destruction of reasonable contracts.

No contractual arrangement of the parties, however innocent, is permitted to remain.

The Paragraphs initially cancel exclusive cross-license agreements between certain of the defendants, namely the 1916 and the 1922 Empire-Hartford-Corning agreements. If this Court should sustain the charges of the Department with respect to these agreements, no objection is made to their cancellation.

The Paragraphs next cancel the 1924 and 1932 Hartford-Owens contracts, which were terminated by volun-

* See pages 20-22 of defendants' reprint of judgment.

tary action of the parties more than nine years ago. Its cancellation by the present judgment is therefore wholly superfluous.

The Paragraphs also cancel non-exclusive cross-license agreements between the defendants, namely the 1932 Hartford-Hazel-Atlas agreements, the 1933 Hartford-Lynch agreement and the 1935 Hartford-Owens agreements. These agreements are normal non-exclusive contracts permitting the use by each contracting party of the inventions covered by the other's patents. To the cancellation of any provision in these agreements found to be unlawful there is no objection; but to the cancellation of the agreements themselves—which promote rather than restrain the use of patented inventions—there is decided objection.

The Paragraphs further cancel modifying agreements between the defendants whose sole purpose was to eliminate features of prior agreements potentially or actually objectionable to the Department:

(1) The 1935 Hartford-Owens agreements, previously mentioned, fall within this group. These agreements were entered into for the express purpose of withdrawing Owens from the Hartford licensing herein attacked. Yet these innocent 1935 contracts—along with certain non-exclusive lehr licenses to Owens—are cancelled.

(2) The 1940 Hartford-Lynch agreement likewise belongs in this group. It was entered into to remove from the 1933 cross-license contract between the parties limitations objected to by the Department thereby insuring that each party might freely sell its machines embodying the inventions of the other. At no time has there been any complaint on the part of the Department, or suggestion by the court, that this 1940 agreement was improper; yet it is cancelled along with the rest.

(3) The 1940 Hartford-Ball agreement, similarly, was entered into to remove contract provisions objected to by the Government, namely certain residual fruit jar rights. This contract enabled Hartford to give unlimited licenses to its other licensees; yet this agreement, also, is cancelled.

(4) The 1940 Hartford-Corning agreement, finally, went to the extent of entirely cancelling every contract involving Corning objected to by the Department. Yet even this agreement is cancelled along with the others.

If these 1940 agreements, above described, had been entered into against the wishes and without the knowledge of the trial court and of the Department, cancellation thereof might be in order—for suit had already commenced. But the record proves conclusively that these agreements were entered into during the pre-trial negotiations to settle this case, *after* announcement in open court that the defendants were negotiating these agreements in order to meet the objections of the Department and *after* the Department had commended the defendants for these efforts (Hartford main brief, pp. 69-73). The defendants believed that by this action they were assisting to achieve the results sought in the litigation.

The Paragraphs, finally, cancel all of Hartford's licenses to all its 41 licensees, only 6 of whom are parties to this case. These licenses were modified by Hartford to comply with the list of Department objections submitted to it during these pre-trial negotiations—likewise *after* public announcement in open court of an intention to take this action and *after* Department commendation of this announced procedure (Hartford main brief, pp. 69-73). The licenses today are simple, non-exclusive, unlimited licenses.

Modification necessary.

Paragraphs 27 and 28 illustrate the reckless manner in which the instant judgment was drafted.

The Department made no attempt reasonably to limit the scope of the Paragraphs. Blanket cancellation of all agreements was provided.

We believe that there is no real need for Paragraphs 27-28, even if the findings below were affirmed. The agreements between the parties as to which there was a specific contention of illegality below have either been voluntarily cancelled, or modified, to eliminate those provisions upon which the charge of illegality has rested.

However, if this Court should believe that notwithstanding these cancellations and modifications—and the continuance of an unquestionably lawful situation for now more than four years—the judgment should contain provisions to insure against revival of any unlawful agreements, Paragraphs 27 and 28 should in that event be modified:

(a) To enjoin the revival of any terminated agreements which are found to have been an inherent part of an illegal conspiracy; and

(b) To enjoin the restoration to any existing agreements of provisions heretofore voluntarily deleted by the parties in their efforts to meet all the specific objections of the Department.

(Pars. 29-30: Prohibition of Normal Licenses.)

Paragraph 29* of the judgment (R. X, 7672-3) sweepingly enjoins all but the GCA defendants, corporate and individual alike, from granting to any one a machine or process license of the type familiarly known as a limited license, from incorporating in any such license other normal provisions, and from differentiating between either licensees or vendees.

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* See pages 22-24 of defendants' reprint of the judgment.

Paragraph 30* (R. X, 7673) then more specifically enjoins the defendants, other than Hartford, from entering into with Hartford any license agreement of the nature condemned in Paragraph 29.

Adoption of TNEC recommendation on limited licenses.

These Paragraphs make effective as against each of the defendants another one of the Department's TNEC recommendations, also rejected by Congress, *i.e.*, to outlaw all license limitations. This prohibition of limited licensing was proposed to Congress as a TNEC suggestion—with the frank statement by the Department that such licensing was lawful under Supreme Court decisions—but Congress refused to act thereon. See page 7, *supra*.

The Department thereupon, in a bold attempt to by-pass Congress, wrote its legislative recommendation into the instant judgment in its broadest form—indeed, substantially in the same words as those of the TNEC report.

Paragraph 29 makes no pretense of conforming to the facts of this litigation. It seeks only to make new law. The prohibitions are in gross, not limited in time, or in space, or to anti-trust violation or to the subject matter of this suit. The initial prohibitions apply to products "whether glassware * * * or *any* other product whatsoever" (¶29 (a) (1)), and the later prohibitions apply to "*any* product, machine or equipment" embodying patents (¶29 (f)). These prohibitions thus far exceed the broad coverage of the definitions of glassware provided in Paragraph 1. They follow the defendants in perpetuity into any industry in which they may enter—metals, plastics, construction, etc. They extend broadly to every patent, present or future, of each and every defendant, corporate or individual, whether misused or not.

* See page 24 of defendants' reprint of the judgment.

The Government frankly conceded that:

> "We intend Paragraph 29 to apply to any product made by any of the defendants. And that was done deliberately" (R. IX, 6905).

Turning to the specific prohibitions of the Paragraphs—

Subdivisions (a) and (b) of Paragraph 29 forbid, in gross, any licensing, whether or not used to violate the anti-trust laws or not, which limits licensed machines or equipment or processes as to (1) type, kind, character, weight, color, capacity, or composition of product produced, (2) use, (3) quantity, (4) market, (5) price or (6) place of use.

Subdivision (c) forbids, in gross, regardless of its purpose or effect, any provision that a licensee shall not contest the validity of the licensed patent.

Subdivisions (d) and (e), dealing with improvements upon leased, licensed or sold machinery, prohibit—again whether used improperly or not—any provision that parts or equipment added to leased or sold machinery shall become the property of the lessor or vendor or that improvement inventions embodied in the machinery shall become the property of the lessor or vendor.

Subdivision (f) finally prohibits granting to any licensee, lessee or vendee of *any* patented product, machine or equipment "a preferential position, whether by means of lower rates of royalty, by different provisions of licensing, leasing or sale, by exclusive licenses * * * or by any other means".

These prohibitions do not apply merely to agreements between defendants. They apply to each defendant acting independently. There is some question, moreover, whether or not they apply to the *acceptance* as well as to the *granting* of licenses by defendants—although it is believed that the latter alone was intended.

Paragraph 30 applies these prohibitions to agreements between Hartford and the other defendants.

Limited licensing prohibited.

Subdivisions (a) and (b) of Paragraph 29, in prohibiting limited licensing of any nature, obviously condemn lawful licensing.

The inventor of a new process, article, composition, or machine, under our patent system, has the right to make no use of his invention, or to use it himself without licensing anyone, or to license others.

If the inventor desires to use his invention only in one place or to make only one type of product, he may retain that part of his exclusive right and license others to use his invention in designated places or fields in which, for one reason or another, he cannot or does not use it.

This is known as limited or restricted licensing.

This Court has repeatedly ruled, as in *Bement* v. *National Harrow Company*, 186 U. S. 70, that a licensor may thus grant limited licenses under the anti-trust laws:

> "* * * restricting the terms upon which the article may be used and the price to be demanded therefor" (p. 92).

In *Ethyl Gasoline Corporation* v. *United States*, 309 U. S. 436, this Court only recently affirmed that a patentee —so long as he stays within the scope of his patent monopoly:

> "* * * may grant licenses to make, use or vend restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege" (p. 456).

Again, in *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U. S. 175, this Court in another recent decision expressly declared that:

"Patent owners may grant licenses extending to all uses or limited to use in a defined field" (p. 181).

The judgment, in condemning every type of limited licensing, in fact repudiates all reported federal cases on this subject. These cases have uniformly upheld the right of a patentee to limit the licensed use of his invention. The following contrast of judgment provisions with the leading federal license cases conclusively demonstrates the error of the court below:

(1) *In general:* The judgment broadly forbids defendants to issue limited licenses to exclusive or non-exclusive licensees. (Judgment, ¶29 (a) and (f), R. X, 7672-3). Yet the courts have hitherto uniformly approved this licensing. *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U. S. 124, 127; *Becton, Dickinson & Co.* v. *Eisele & Co.*, 86 F. (2d) 267, 268-270 (C. C. A. 6th), certiorari denied 300 U. S. 667; *Owens Bottle Co.* v. *Libbey Glass Co.*, 9 Fed. (2d) 564, 565 (C. C. A. 6th); and *Innis, Speiden & Co.* v. *Food Machinery Co.*, 2 F. R. D. 261, 262-263 (D. Del.).

(2) *Territory:* The judgment specifically enjoins the licensing of a patented machine or process for use in specified territory (Judgment, ¶29 (a) (7), R. X, 7672). The courts, however, have repeatedly upheld such licensing. See *Hobbie* v. *Jennison*, 149 U. S. 355, 363-4; *Cincinnati Siemens-Lungren Gas Illuminating Company* v. *Western Siemens-Lungren Company*, 152 U. S. 200, 205; *St. Louis Street Flushing Machine Co.* v. *Sanitary Street Flushing Machine Co.*, 178 Fed. 923, 926-927 (C. C. A. 8th).

Indeed the patent statutes themselves expressly permit the owner to convey an exclusive right under his patent "to the whole or any part of the United States" (35 U. S. C., Sec. 47, R. S. Sec. 4898).

(3) *Quantity:* The judgment further enjoins the licensing of a patented machine or process to make

definite quantities (Judgment, ¶29 (a) (4), R. X, 7672). The courts, however, have always upheld quantity limitations upon the use of a patent. *Mitchell* v. *Hawley*, 16 Wall. 544, 546, 548-9; *Aspinwall Manufacturing Co.* v. *Gill*, 32 Fed. 697, 698 (C. C. D. N. J.); and *Goshen Rubber Works* v. *Single Tube Automobile & Bicycle Tire Co.*, 166 Fed. 431, 432 et seq. (C. C. A. 7th).

(4) *Type:* The judgment enjoins the licensing of a patented machine or process to make articles of a definite type or character (Judgment, ¶29 (a) (1) and (3), R. X., 7672). The courts, however, have without exception approved licenses which limit the type or character of articles made by use of the patented invention. *Bement* v. *National Harrow Company*, 186 U. S. 70, 72-75, 90; *Cinema Patents Co., Inc.* v. *Columbia Pictures Corporation*, 62 F. (2d) 310, 311-312 (C. C. A. 9th); *Pope Manufacturing Co.* v. *Owsley*, 27 Fed. 100, 104 (C. C. N. D. Ill.); *George Close Co.* v. *Ideal Wrapping Mach. Co.*, 29 F. (2d) 533, 534-535 (C. C. A. 1st); and *Good Humor Corporation of America* v. *Popsicle Corporation of United States*, 59 F. (2d) 344 (D. Del. 1932).

The judgment not only denies the right of a patentee to limit the licensed use of his invention, but also denies his right to describe that licensed use in terms of the intended use of or market for the products of the licensed inventions. The latter form of limited license has also been approved by the federal courts.

(5) *Use:* The judgment enjoins the licensing of a patented machine or process to make articles intended for a certain use (Judgment, ¶29 (a) (2), R. X, 7672). The courts however have expressly recognized the validity of licenses which describe the articles made by the invention in terms of the use intended. *Rubber Company* v. *Goodyear*, 9 Wall. 788, 799; *Vulcan Mfg. Co.* v. *Maytag Co.*, 73 F. (2d) 136, 138-139 (C. C. A. 8th), appeal dismissed 294 U. S. 734; and *Sinko Tool & Mfg.*

Co. v. *Casco Products Corporation*, 89 F. (2d) 916-918 (C. C. A. 7th).

(6) *Market:* The judgment finally enjoins the licensing of a patented machine or process to make articles intended for certain markets (Judgment, ¶29 (a) (5), R. X, 7672). The courts however have likewise recognized the validity of licenses which describe the licensed use in terms of the future market of the article made by the patented invention, as *e. g.*, for export. See cases cited, *supra*, under (4) and (5), and also *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U. S. 175, 179-182, and 305 U. S. 124, 127; *Westinghouse Electric & Mfg. Co.* v. *Tri-City Radio Electric Supply Co.*, 23 F. (2d) 628, 630-631 (C. C. A. 8th); *Libbey Glass Co.* v. *McKee Glass Co.*, 216 Fed. 172, 176 (W. D. Pa.), affd. 220 Fed. 672 (C. C. A. 3rd), certiorari denied 238 U. S. 624; and *Radio Craft Co.* v. *Westinghouse Electric & Mfg. Co.*, 7 F. (2d) 432 (C. C. A. 3rd).

The Department seeks to explain away the unchallenged impact of Paragraph 29(a) and (b) upon all the foregoing cases by asserting "that the restrictions in these cases were imposed by a single patentee and not by a combination * * * Nothing said in those decisions may be regarded as supporting the validity of restrictions imposed by a combination of patentees for the purpose of restraining trade". (Government original brief, p. 253.) But every one of the injunctions of Paragraph 29 applies to "restrictions * * * imposed by a single patentee" defendant, in a single license to a complete stranger to this action, in an industry without connection with the glass industry, and in the remote future.

Public policy favoring limited licensing.

The limited licensing thus forbidden by the judgment is not something which prevents any act which otherwise could be performed by the licensee. It is not a covenant

whereby a licensee agrees to stay inside a specified field. It is merely a *permission* to use the licensor's patented property within the designated field—a waiver of the licensor's right to exclude the licensee from such use and to sue him for infringement if he does make such use. *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U. S. 175, 181. The licensee remains free to use any other product or process in any manner and in any field that he desires—as to these he is exactly as free after the license as he was before.

The so-called "restrictive" license to which the District Court kept referring, therefore, is but a limited authorization to use a patented invention which the licensee otherwise could not have used at all.

It is important that inventors should have the right to issue these limited "permissions". Otherwise the extension into popular use of new discoveries would be greatly delayed. By-product use of new inventions in particular would be curtailed.

The following two illustrations of a problem recently facing a defendant readily demonstrate this:

(a) Assume that a patentee, who is primarily interested in a *glassware* use for his patent, is willing to license by-product *metallurgical* uses to others—*i. e.*, to grant licenses restricted to those by-product uses. The District Court's ruling prohibiting limited licensing would cause the patentee to refrain from granting the by-product licenses. In other words, the use of the patent would be hindered rather than expanded and the public would be injured—being denied the benefit of the expanded use.

(b) Assume that a patentee, who is primarily interested in granting licenses under his patent, can license in a *glassware* field at a high rate where the licensed use would be very profitable and in a *metal-*

lurgical field at a low rate where the licensed use would be less profitable—*i. e.*, that he can grant licenses limited to one or the other of these fields. The District Court's ruling prohibiting limited licensing, when added to the other prohibitions of Paragraph 29(f) subsequently discussed, may cause the patentee to license his patent in all fields at the high rate, in order to get the maximum return, thereby making it economically impossible for anyone to take out a license for use in the less profitable field. Once again, the use of the patent would be hindered rather than expanded and the public would be injured —being denied the benefit of the expanded use.

An invention often has numerous possible uses. By granting limited licenses to companies in different fields the inventor can make such licenses attractive to each licensee and greatly facilitate and accelerate the use of his invention —thus creating competition. This judgment, however— which is drafted to have a world-wide scope—would flatly forbid licenses adapted to the needs of the individual licensees.

There are few persons, outside Departmental circles, who favor the abolition of limited licensing. The Patent Office is opposed to its abolition and business small and large is opposed. Experience has taught all with practical experience in licensing that limited licensing is absolutely essential to a full use of patented inventions.

The recent report of the National Patent Planning Commission, appointed by the President to study this subject, carefully examined the TNEC proposal that Congress enact legislation to prohibit limited licensing and unequivocally concluded (House Doc. No. 239, 78th Cong., 1st Sess., pp. 3, 9) that such a prohibition:

> "* * * would not be a beneficial innovation in our patent system".

Congressional refusal to limit licensing.

Proposals similar to that of the Department to prohibit limited licensing have frequently been before Congress, but—after full public hearings—Congress has refused to adopt any of these.

Congress has decided, on the basis of these hearings, that:

(1) "Tying clause" licensing—whereby a patentee unreasonably seeks to extend his patent monopoly to other patented or unpatented articles—should be forbidden. The Clayton Act resulted.

(2) "Limited" licensing—whereby a patentee merely divides up his patent monopoly among the licensees—should be permitted. Many bills forbidding such licenses—similar in theory to Paragraph 29—have been rejected.

Among bills attacking limited licensing, which Congress has declined to enact, are H. R. 22345, 62nd Cong., 2nd Sess. (1912); H. R. 15989, 63rd Cong., 2nd Sess. (1914); S. 2730, 77th Cong., 2nd Sess. (1942); S. 2491, 77th Cong., 2nd Sess. (1942); H. R. 7713, 77th Cong., 2nd Sess. (1942); and H. R. 1381, 78th Cong. (1943).

Other lawful licensing provisions prohibited.

Subdivision (c), in condemning any agreement by a licensee not to contest the validity of a licensed patent, condemns another lawful license provision.

Such an agreement of course may—like other license provisions—be unenforceable under some circumstances. *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173.

Thus, they may be used "as parts of an illegal plan"—the attempted justification by the Department of Subdivision (c) (Government original brief, p. 376). The prohibi-

tion here, however, is in gross and against each defendant acting independently in a single lawful agreement.

In the normal case a licensee is automatically estopped to dispute the validity of licensed patents by well recognized principles of common law, *United States* v. *Harvey Steel Company*, 196 U. S. 310, and a provision expressing in writing this estoppel is obviously both lawful and enforceable.

Dale Tile Manufacturing Corp. v. *Hyatt*, 125 U. S. 46;
Bement v. *National Harrow Co.*, 186 U. S. 70, 73 93;
United States v. *Harvey Steel Company*, 196 U. S. 310;
Steiner Sales Co. v. *Schwartz Sales Co.*, 98 F. (2d) 999 (C. C. A. 10th);
United Lens Corp. v. *Doray Lamp Co., Inc.*, 93 F. (2d) 969 (C. C. A. 7th);
Sinko Tool & Mfg. Co. v. *Casco Products Corporation*, 89 F. (2d) 916, 917-8 (C. C. A. 7th);
Eskimo Pie Corp. v. *National Ice Cream Co.*, 26 F. (2d) 901, 902 (C. C. A. 6th);
American Specialty Stamping Co. v. *New England Enameling Co.*, 176 Fed. 557 (C. C. A. 2nd);
United States v. *Wayne Pump Co.*, 44 F. Supp. 949 (N. D. Ill. E. D.), appeal dismissed 317 U. S. 200;
Foster Wheeler Corporation v. *Furnace Engineering Co., Inc.*, 46 F. Supp. 867;
Hall v. *Penley Bros. Co.*, 8 F. Supp. 524 (D. Me.);
Philadelphia Creamery Supply Co., Limited v. *Davis & Rankin Bldg. & Manufacturing Co.*, 77 Fed. 879 (C. C. N. D. Ill.);
Pope Manufacturing Co. v. *Owsley*, 27 Fed. 100 (C. C. N. D. Ill.);
Dunham v. *Bent*, 72 Fed. 60 (C. C. D. Mass.).

Subdivisions (d) and (e) prohibit still other lawful license provisions, namely, agreements that improvements upon leased machinery, whether patents or physical parts, should become the property of the lessor.

The agreement here condemned was born out of a business necessity. Patentees are understandably reluctant to make available to others the patented results of their labor, without the protection of the prohibited agreement, because the users are likely through daily use of the patented invention to discover patentable improvements essential to the full utilization of the invention. Without such agreements as those condemned by subdivisions (d) and (e), a patentee might well find himself blocked in an efficient use of his invention discovered by one of his own licensees. Accordingly, such provisions have repeatedly been adopted to encourage the liberal grant of licenses by obviating risk that the patentee may otherwise be so blocked. The patentee allows others to use his invention and, as part of the contract price, holds title to the improvement inventions made during this licensed use.

In a licensing system such as that involved in the present case, such provisions have a further value to all of the licensees. Their practical effect is to pass on to every Hartford licensee all improving inventions upon Hartford apparatus made by any of the licensees. Thus, competition is increased.

The condemned provisions are lawful. If they should be used in an unlawful way, the unlawful use alone should be condemned, not the provisions themselves. The present record contains no evidence of any such unlawful use. For decisions approving such provisions, see—

Allbright-Nell Co. v. *Stanley Hiller Co.*, 72 F. (2d) 392 (C. C. A. 7th);

Baker Oil Tools, Inc. v. *Burch*, 71 F. (2d) 31 (C. C. A. 10th);

Sinclair Refining Co. v. *Jenkins Petroleum Process Co.*, 99 F. (2d) 9 (C. C. A. 1st); certiorari denied 305 U. S. 659; rehearing denied 306 U. S. 667; second petition denied 307 U. S. 651.

Prohibition of exclusive licenses and preferences.

Subdivision (f) of Paragraph 29 concludes the prohibition of lawful licensing practices with a blunderbuss blast. It forbids any agreement whereby—

(1) "any licensee, lessee or vendee" of a patented product, machine or equipment obtains

(2) "a preferential position", whether by

(3) "lower rates of royalty"

(4) "different provisions of licensing, leasing or sale",

(5) "exclusive licenses"

(6) "rebates, discounts, a share in net or gross income"

(7) "or by any other means".

To review briefly certain of these sweeping provisions—

Exclusive licenses: Exclusive licenses are forbidden as preferential. Thereby the subdivision seeks to nullify the will of Congress expressed in the patent laws that a patentee has an "exclusive right" to his invention which he may convey in whole or in part to others (35 U. S. C. §§40, 47). The courts have hitherto held that a patentee, under these statutes, may convey his "exclusive right" either by exclusive license or by grant.

Bement v. *National Harrow Company*, 186 U. S. 70, 94;

Virtue v. *Creamery Package Company*, 227 U. S. 8, 36-7;

Independent Wireless Telegraph Company v. *Radio Corporaton of America*, 269 U. S. 459, 469-73;

United States v. *General Electric Co.*, 272 U. S. 476, 489;

Becton, Dickinson & Co. v. Eisele & Co., 86 F. (2d) 267 (C. C. A. 6th), certiorari denied 300 U. S. 667.

Sharing of royalties: The sharing of royalties by a licensor, with licensees contributing licensed patent rights embodied in the licensed device or method, is similarly prohibited as preferential. Thereby the subdivision seeks to make impossible the solving of patent deadlocks by some common licensor obtaining rights to non-competitive blocking inventions—giving as consideration therefor a share of his royalties—and licensing the industry under those inventions. The courts have hitherto held that the sharing of royalties with licensees for such a purpose was not only lawful but highly meritorious.

Thorn Wire Hedge Company v. *Washburn and Moen Manufacturing Company*, 159 U. S. 423;

Standard Oil Company v. *United States*, 283 U. S. 163, 170-1;

United States Consolidated Seeded Raisin Co. v. *Griffin & Skelley Co.*, 126 Fed. 364-5, 368-9 (C. C. A. 9th).

Mandatory uniformity: The giving of any provision to one licensee, lessee or vendee which is not given to another —irrespective of how reasonable that difference may be— is under all circumstances prohibited as preferential. The provision thereby runs counter to the rulings of the federal courts that a patentee may differentiate between the users of his inventions.

United States v. *United Shoe Machinery Co.*, 247 U. S. 32, 58;

Standard Oil Company v. *United States,* 283 U. S. 163, 179;
Westinghouse Electric & Mfg. Co. v. *Cutting & Washington Radio Corp.,* 294 Fed. 671, 673 (C. C. A. 2nd);
American Equipment Co. v. *Tuthill Bldg. Material Co.,* 69 F. (2d) 406, 408 (C. C. A. 7th).

This last provision finds no justification in the Robinson-Patman Act. In the first place, the Act does not apply to licensing while subdivision (f) does. In the second place, the Act does not apply to all terms and conditions, while subdivision (f) applies to every possible contractual provision. In the third place, the Act qualifies its anti-discrimination provisions with reasonable exceptions permitting variations to reflect cost differences, to recognize functional differences and to permit meeting of competition, while subdivision (f) does not.

"Any other means": The giving of a "preferential position" by "any other means" completes this vague prohibition. What this means is clear to no one. The subdivision could not more flatly violate the ruling of this Court in *Swift & Company* v. *United States,* 196 U. S. 375, that:

> "The general words of the injunction 'or by any other method or device, the purpose and effect of which is to restrain commerce as aforesaid', should be stricken out. The defendants ought to be informed as accurately as the case permits what they are forbidden to do" (p. 401).

Sales of all patented articles.

The scope of subdivision (f) is limitless. Every contractual term of every license or lease—and even straight sales of patented articles—whether relating to glassware or not and whether involving present or future patents—must henceforth be identical to all upon penalty otherwise

of being exposed to possible contempt proceedings for giving some "preference". Prices and terms are frozen. Variations of delivery dates, of color, of quality, of quantity, to meet competition, to differentiate between wholesalers and retailers, to reflect savings in cost—all are of doubtful validity under the subdivision. It is questionable whether even changes in market conditions may be reflected by changes in prices and terms because of the resulting discrimination. Competitive flexibility, in other words, seems to be replaced by arbitrary rigidity.

Corning illustrates the effects of this subdivision. This defendant, as a result of its developments of new glass products, manufactures and sells a very wide range of glass specialties ranging from cooking ware to fine glassware and laboratory equipment, many of which embody patented inventions (R. III, 1681, R. VIII, 5489-90, 5492-4, 5583-92). Each of those articles in so far as patented must under the judgment be offered to various classes of customers under inflexible sales conditions which cannot be varied to effect differentials proper under the Robinson-Patman Act.

Paragraph 29 thereby severely hampers the ability of the appellants to compete—and not only in the glassware field but in all other fields in which they may at any future time engage. Owens, for example, is perpetually enjoined from normal competitive practices in the conduct of its tin can business, a field in which it is yet relatively unimportant, although there is not a word about that business in the record. Ball is likewise perpetually enjoined from carrying forward usual and normal practices in the conduct of its straw paper business (R. IX, 6590) and in the sale of its zinc mill and rubber products (R. IX, 6594).

Subdivision (f) probably is thus all inclusive by reason of its complete disassociation from any specific facts in the record. There were no charges or evidence of discrimina-

tion with respect to the price of glassware—much less with respect to articles which are not glassware and have nothing to do with any matter involved in this case.

Deletion of ¶29 and modification of ¶30.

Paragraph 29, we submit, should be deleted.

The prohibitions of this Paragraph have no justification either in law or under the facts of this case. Limited licensing and other normal license provisions are forbidden in the abstract, solely in order to engraft upon statutory law certain legislative theories which Congress does not favor.

The Paragraph, like many others of the judgment, if permitted to stand will effect a judicial repeal of various provisions of the patent laws as duly enacted by Congress and judicial amendment of both those laws and the anti-trust laws—all retroactively.

Paragraph 30, we submit, should be modified.

The prohibitions of Paragraph 30 are limited to dealings between Hartford and the other defendants and thus purport at least to deal with the parties of this case. Like Paragraph 29, however, this Paragraph prohibits limited licensing and other normal license provisions regardless of a lawful or unlawful use thereof—whether in a glassware or in a non-glassware industry. The Paragraph accordingly requires drastic revision.

In the first place, the 57 individual defendants, including Collins and Fulton, *et al.*, none of whom has been shown personally to own patents or to have granted or received licenses in their lives, should be freed of the impact of this Paragraph.

In the second place, those of the practices condemned in a vacuum and in which the defendants have not unlawfully participated should be stricken from the Paragraph.

In the third place, those of the practices condemned in which the defendants allegedly have participated in some unlawful manner—but which are legal *per se* when separated from any illegal conspiracy—should be forbidden only when part of or pursuant to an illegal conspiracy.

The modification which we suggest is clearly required as a matter of law. For as emphasized in *Salt Producers Ass'n* v. *Federal Trade Commission*, 134 F. (2d) 354 (C. C. A. 7th), in entering an injunctive order:

> "* * * it must be clear that such enforcement order does not invade any legal rights which are theirs, when separated from the illegal conspiracy" (p. 360).

It should be noted that the Government itself conceded in its prior argument before this Court that the Paragraphs at least require modifying interpretations (Original Government brief, p. 381), which we submit are not possible under the Paragraphs as now drafted; and that recently it has notified the defendants by letter that it agrees to express modification of the Paragraphs in order to confine their scope to glassware, glass making and patents pertaining thereto (Letter of August 5, 1944, from Assistant Attorney General Wendell Berge).

(Par. 31: Supervision of Future Contracts.)

PARAGRAPH 31* of the judgment (R. X, 7673-4) provides that every agreement between any of the defendants and every license agreement made pursuant to the judgment must be approved by the court.

Absurd scope of supervision.

Every agreement between one individual defendant and another individual defendant under this Paragraph must in

* See pages 24-25 of defendants' reprint of the judgment.

perpetuity be judicially approved. One individual defendant, wherever he may reside in the world, may not buy a house from another without giving 10 days' notice to the Attorney General, appearing in the Toledo court, submitting competent evidence through calling witnesses or otherwise, arguing in defense of the proposed arrangement, and securing if possible the court's approval.

Every agreement between an individual defendant and a corporate defendant also must in perpetuity be judicially approved. All employment contracts between defendant officers and their defendant employers must first be litigated.

Every agreement between one corporate defendant and another corporate defendant must likewise in perpetuity be judicially approved. One corporate defendant may not purchase an ounce of sand—or a monkey wrench—or machine parts—from another without seeking court approval, upon pain of contempt. The Paragraph even prohibits the common practice of loaning glass forming molds from one defendant manufacturer to another, unless court approval is sought upon 10-days notice to the Attorney General.

Every license agreement entered into by any defendant with any one else, pursuant to the judgment, must in perpetuity be judicially approved. This means all license agreements must be approved, because all such agreements presumably are required to be made in accordance with other paragraphs of the judgment—such as 24 and 29 applying to all patent licenses. A simple license agreement with a university, or with the Mellon Institute, would be covered.

The Paragraph does provide one exception to this sweeping requirement of court approval, namely that agreements identical in form to others previously approved need not be approved. But this exception is largely illusory, because contracts are seldom identical—usually some

change is necessitated by the particular needs of some party or by differences in subject matter.

Modification necessary.

This Paragraph obviously would impose impossible administrative burdens upon the court—and thus on appeal upon this Court—and would cripple defendants' conduct of business. Once more the courts—rather than company officials—would be operating private businesses.

Yet these burdens upon court and business need not be imposed. The Department of Justice has complete investigatory powers through grand jury proceedings and by means of the visitations authorized by Paragraph 55 of this judgment, and if in the exercise of these powers it should find that agreements are being entered into by any defendant in violation of the judgment, it may initiate proceedings for contempt.

The sanction of contempt proceedings should be sufficiently effective to insure reasonable conformance to the judgment, without the necessity for court approval in advance of every business decision.

The Government does not attempt to defend Paragraph 31 as presently drafted, other than to read in certain "interpretations" foreign to the Paragraph's language and to consent to modification thereof (Original Government brief, pp. 386-7).

(Par. 32: Prohibition of Licensee Consultation.)

Paragraph 32* (R. X, 7674) enjoins every other defendant from requiring, requesting or inducing Hartford to seek his or its permission, advice or consent in issuing licenses.

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* See page 25 of defendants' reprint of the judgment.

Unlimited nature of prohibition.

The Paragraph—in so far as it discourages any defendant from individually giving any advice on Hartford licensing—is indefensible. Why should a defendant licensee be denied all right to seek to give advice on licensing policies of his licensor which vitally affect him—however innocent his purpose? Why should a licensor defendant be handicapped in obtaining the views and facts in the possession of a well informed licensee, in collecting all pertinent information bearing on action contemplated by him?

The Paragraph—in so far as it enjoins any defendant from giving his permission or consent to Hartford licensing—goes beyond the record in this case. On only one occasion did any defendant obtain the right to give its consent to the issue of licenses by Hartford, and on this occasion (1) the defendant (Owens) exercised a right of consent only when Hartford licensed under Owens'—not Hartford's—patents and (2) the defendant (Owens) surrendered this right of consent in 1931 (Hartford main brief, pp. 34-5). The record otherwise shows merely that Hartford occasionally received advice from its licensees and thereafter decided independently what to do—repeatedly taking action entirely at variance with the advice given (R. V, 3235-6, 3238, 3243-5; R. II, 1253, 1260-1, 1278-9; R. VI, 4231; Ex. 959, R. IV, 2496; R. XXI, 13607). For typical examples of advice by licensees and action by Hartford directly contrary to such advice, see the following (advice, Ex. 235, Fol. 2063, R. XIX, 12758, contrary action, Ex. H-5750, R. VIII, 5733; R. XXVII, 15439-40; advice, Ex. 1551, R. V, 3807, R. XXII, 14054-A, contrary action, R. IX, 6725; advice, Ex. 928, R. IV, 2405, R. XXI, 13580, contrary action, Ex. H-5750, R. VIII, 5733, R. XXVII, 15442; advice, Ex. 839, R. III, 2165, R. XXI, 13502-A, contrary action, Ex. H-5749, R. VIII, 5732-3, R. XXVII, 15435).

The Paragraph, moreover, in enjoining a licensee from giving his consent to the issuance of another license, may readily be interpreted to forbid the grant of exclusive licenses to any defendant. Of course once an exclusive license is granted, no further license can be granted in the field affected without the consent of the exclusive licensee.

Modification necessary.

The Paragraph should at least be modified to prohibit the specified action by licensees—lawful *per se*—solely when part of an illegal plan or conspiracy.

The Paragraph should also declare that the issuance of exclusive licenses, expressly permitted by the patent statutes, is not thereby forbidden.

Restraints Upon Investments and Office Holdings.

(Pars. 33-36: Prohibition of Non-Competitive Investments and Office Holdings.)

Paragraphs 33-36* of the judgment (R. X, 7674-8) relate to the holding or acquiring of stock, bonds, evidences of indebtedness or assets and the holding of corporate office.

Outlawry of reasonable investments.

Paragraph 33 enjoins in perpetuity all the *individual* defendants—including the two individual GCA defendants—from holding or controlling any stock, bonds or other evidences of indebtedness of more than one corporation, engaged in any phase of the glassware or glassware machinery business, whether or not the corporations are in any degree competitive and however inconsequential an amount of stock, etc., is involved.

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* See pages 25-30 of defendants' reprint of the judgment.

The Paragraph is applicable regardless of whether or not the individual defendant enjoined is at the time a director or officer of a corporate defendant, or even of any other corporation engaged in the glassware business, or is otherwise in that business.

It permits moreover two years only from the effective date of the judgment for certain of the individual defendants to dispose of stockholdings forbidden by this Paragraph—a period all too short in view of the disastrous effects of this decree upon the marketability of such stock, including particularly that of Hartford.

Paragraph 34 requires the filing of information to facilitate the enforcement of Paragraph 33.

Paragraph 36, which in part overlaps and is to some extent inconsistent with Paragraph 33, enjoins *all* defendants, corporate and individual—but this time excepting the GCA defendants—while engaged in the glassware or glassware machinery business, from acquiring or holding assets, stock, bonds or other evidences of indebtedness of (a) any other defendant, except (in the case of an individual defendant) the corporation of which the individual is a director or officer, and (b) any other corporation, firm or individual engaged in the glassware or glassware machinery business, again regardless of whether or not there is any substantial competition.

This Paragraph overlaps Paragraph 33 in that both deal with security holdings of individual defendants. It is inconsistent with Paragraph 33 among other things in that there is no period provided during which any defendant subject to Paragraph 36 is permitted to seek a market for his stock, and also in that—literally interpreted—it would seem to prohibit an individual defendant from holding stock in any corporate defendant if he were not an officer or director of any corporate defendant.

Outlawry of reasonable holding of office.

Paragraph 35, finally, enjoins the individual defendants —including the individual GCA defendants—from holding an office or directorship in more than one corporation engaged in any phase of the glassware or glassware machinery business, whether or not the corporations are in any sense competitive.

Sweeping nature of prohibitions.

Because of the broad definition of "glassware" in Paragraph 1 (C) of the decree, Paragraphs 33, 35 and 36 effectively prohibit the corporate and individual defendants from holding any stock, bonds or evidences of indebtedness —including, if read literally, even promissory notes given for goods purchased—in however inconsequential amounts— of any company other than their own, any part of whose business, however trivial, is in any phase of the glassware field. They similarly prohibit the holding of an office or directorship in any such company.

The Paragraphs would thus subject an individual defendant to risk of contempt proceedings if, for example, he should happen to buy a few shares of stock of the Coca-Cola Company or of Sears, Roebuck & Co. and those companies, as a minor part of their very large business should manufacture and sell "glassware" as defined in Paragraph 1 (C). They would similarly prohibit the holding of an office or directorship in either of those companies. It is difficult to see how, for example, the ownership of stock in Sears, Roebuck by an individual defendant associated with Thatcher, whose business is primarily in the field of milk bottles, could have any possible effect upon competition.

It is to be noted that the prohibitions of the Paragraphs as to securities are applied indiscriminately to all the in-

dividual and corporate defendants. The Department contends that these Paragraphs were "adapted to prevent future violations * * * which are threatened in view of the past history of the conspirators" (Original Government brief, pp. 399-402). But most of the individual and corporate defendants have not, either at any time or for years prior to the filing of the complaint, owned any securities in any other glassware or glassware machinery company or served as an officer or director of any other company in the glassware industry.

For example,

(1) Hartford has never owned stock or bonds in any other glassware or glassware machinery company. A minority of its board alone held stock in and were officers of another such company; namely, the non-competitive Corning.

(2) Hazel-Atlas has never owned any stocks or bonds of any other defendant; only two of the Hazel-Atlas individual defendants (McNash and Quay) ever owned any stock or bonds in any other defendant, the percentage of outstanding stock so owned being from .0001% to .008% (R. X, 7965, 8193); and none of these individual defendants has ever been an officer or director of any other glassware or glassware machinery company;

(3) Ball and its individual defendants (except for 220 shares of Hazel-Atlas stock held by W. H. Ball) have never held any stock or bonds of and—in the case of the individual defendants—have never been officers of any other glassware or glassware machinery company.

(4) Lynch and its individual defendants (except for 300 shares of Anchor-Hocking stock formerly held by Bridges and McMurtrie in 1937-8) have never held any stock or bonds of and—in the case of the

individual defendants—have never been officers of any other glassware or glassware machinery company.

(5) Collins and Fulton, *et al.*, have never owned any securities in any glassware machinery company except Hartford, nor since 1930 in any glassware manufacturing company except Anchor-Hocking, which was completely absolved by the court below from any violation of the anti-trust laws.

(6) Owens has not owned securities in any other glassware or glassware machinery company since 1926; only one of the individual Owens defendants has owned any such securities since 1938; and none of the Owens individuals has served as as an officer or director of any other glassware or glassware machinery company since August, 1935.

Hampering of legitimate business expansion.

Paragraph 36(B), furthermore, prohibits all the defendants, corporate and individual—except the GCA defendants—from acquiring any of the assets of any other corporation engaged in the glassware business. That prohibition applies to individual defendants irrespective of their having terminated their connection with any corporate defendant.

The Paragraph thus—

(a) Prohibits each of the corporate defendants from any expansion into non-competitive glassware fields through the purchase of assets of a corporation in that field, and

(b) Prohibits any individual defendant from similarly expanding any glassware business in which he may engage after leaving his present connection with a corporate defendant.

It prohibits such expansion even if the acquisition cannot have the remotest effect upon competition, indeed, even

if the purchase will substantially increase competition by expanding the activities of a defendant into a new field in which there is not substantial competition at the time of the acquisition. Thus Hartford, an engineering company, could not expand into glassware manufacture by acquiring through merger an existing glassware company.

Paragraph 36(B) prohibits the acquisition of non-competitive assets even at a bankruptcy sale or upon other voluntary or involuntary liquidation and even though they may not at the time of acquisition be used in business operations.

Indeed, as its prohibitions extend to the acquisition of "any assets", Paragraph 36(B) goes to the absurd extent of preventing the acquisition by any of the defendants of a single piece of machinery (other than as "goods or merchandise purchased in the ordinary course of business") from anyone else engaged in the glassware or glassware machinery business.

Like the other Paragraphs of the judgment, the blanket prohibition of Paragraph 36(B) against the acquisition of assets, whether or not affecting competition, runs indiscriminately against all the defendants, individual as well as corporate. But there is no finding that any individual defendant ever acquired the assets of a single glassware corporation, firm or individual. Nor is there any finding that Corning or Hazel-Atlas ever made any such acquisition. The last such acquisition by Hartford was in 1925 (R. X, 7305), by Lynch was in 1933 (R. X, 7347), and by Thatcher in 1934 (R. X, 7363); and the last acquisition by Ball or Owens in 1936 (R. X, 7359, 7367).

Paragraph 36(B) thus destroys a substantial segment of the market for the assets of a corporation which, for one lawful reason or another, desires to liquidate. It prohibits legitimate expansion by the defendants into related but non-

competitive businesses except through the purchase of new machinery and equipment. Far from accomplishing the purpose of preventing the illegal suppression of competition—the purported objective of a judgment in an anti-trust suit—the Paragraph has the effect of perpetually reducing the ability of the defendants to engage in lawful competition.

Modification necessary.

The Government argues that the purpose of Paragraphs 33-36 is to prevent the suppression of competition (Original Government brief, pp. 399-402), pointing out that:

> "Provisions against stockholdings in *competing* companies • • • are familiar in antitrust decrees" (p. 402).

To accomplish this purpose, without unreasonable damage to the defendants and without actual restraint of lawful competition resulting from the judgment, Paragraphs 33-6 should be modified as follows:

(1) To apply only to such of the corporate and individual defendants, if any, who are found to have illegally restrained trade by practices such as those enjoined;

(2) To prohibit the acquisition of securities only in such amounts and of such corporations as might occasion an unreasonable restraint of trade;

(3) To enjoin the acquisition of assets only under such circumstances as might substantially lessen competition between the acquiring defendant and the corporation or individual surrendering possession of those assets;

(4) To enjoin the holding of offices or directorships only in other corporations truly competitive with the corporate defendants in which the affected individual defendants hold office.

The individuals concerned should in no event be required to dispose of their stock until a market for it can be found and a fair price obtained. To state that the judgment of the lower court in this case has had a drastic effect on the marketability of Hartford stock, for example, is to state the obvious. The unsettled conditions arising from the war, superimposed upon this situation, would make any period for the disposition of the stock shorter than five years inequitable. There is no occasion for penalizing these defendants by requiring a forced sale. If this Court deems it necessary, the individual defendants involved can be ordered to trustee the stock pending its disposition.

Destruction of Trade Association.

(Pars. 37-39: Disruption of Organization.)

Paragraphs 37-39* of the judgment (R. X, 7678-80) operate practically to dissolve the trade association of the glass container industry, by depriving it through cumulative restraints of any effective organization.

Restraints upon operations.

Paragraph 37 enjoins the GCA defendants, and the officers, directors, agents, employees and members of the statistical committee of GCA, from holding further meetings of or permitting to exist either the GCA statistical committee or any similar committee.

Thereby the Paragraph requires the Association to discontinue—through lack of any agency to handle it—the Association's valuable statistical work specifically approved by the trial court (R. Op. Vol. 160).

Paragraph 38 enjoins the GCA from continuing in office such of its present officers and directors as are individual

* See pp. 30-31 of defendants' reprint of judgment.

defendants or are employed by corporate defendants, and directs the submission for court approval, prior to their taking office, of future officers and directors.

Paragraph 39, finally, enjoins GCA, its officers, directors, agents, employees, members and stockholders from having as present or future officers or directors of GCA any representative of a corporate defendant.

Thereby these Paragraphs deprive 74% of the productive capacity of the container industry of all voice in the Association's operations—although it is not explained how the GCA can operate successfully and be of any real value with 74% of the industry out of the association. They also impose upon the court the task of passing on the qualifications of the GCA's future officers and directors.

Deletion necessary.

The lower court stated in its opinion, with respect to the GCA, that:

> "• • • the court does not believe that dissolution is necessary" (R. Op. Vol., 159).

The court further specifically ruled that the GCA should continue:

> "• • • as a statistical and research body" (R. Op. Vol., 160).

How can the GCA avoid dissolution and continue as a statistical body, however, if it:

(1) Is denied a statistical committee or other agency to deal with statistics; and

(2) Is cut off from three-fourths of the industry it seeks to serve?

These Paragraphs serve no proper function and should be deleted. As dissolution has been rejected by the court

below, that result should not be attained by indirection by means of these Paragraphs. Paragraph 40 which follows, when properly modified, would sufficiently "prevent and restrain" any anti-trust violation on the part of the GCA.

It is significant that the Government itself now concedes that the Association should at least be permitted a statistical committee, and tries to read approval of such a committee into the sweeping prohibition of Paragraph 37 (Original Government brief, ft. 28, p. 393). But that is not the way it reads. The Paragraph would require drastic modification before such a construction would be possible.

(Par. 40: Prohibition of Activities.)

Paragraph 40* of the judgment (R. X, 7680-2) further operates to destroy the trade association of the container industry by enjoining it from conducting normal and lawful trade association activities, and in so doing—through the use of broad language—also enjoins all the other defendants from many lawful activities having no relation to the trade association.

Prohibition of ordinary commercial transactions.

The Paragraph, on its face, is loosely drawn—typifying the reckless, faulty draftsmanship of the judgment.

Thus the Paragraph purports to deal with trade association activities, yet (perhaps by inadvertence) it applies in Subdivision (1) as well to:

(a) Agreements between any defendant and "any other defendant";

(b) Agreements between any defendant and "any other manufacturer" of glassware or glassware machinery; and

* See pages 32-34 of defendants' reprint of judgment.

(c) Agreements between any defendant and "any seller" of glassware or glassware machinery.

The Paragraph thereby applies to normal and ordinary commercial transactions between defendants and other parties—to agency contracts, to consignment agreements, to service contracts, to licenses and leases, to contracts of sale and to all customer relationships. Operation under these contracts in a lawful manner is frequently rendered impossible. For example, a defendant is forbidden even to agree with a consignee, who "sells" defendant's glassware, at what price the glassware is to be sold (¶40 (1) (a)), or to disclose to a customer, who "sells" defendant's glassware, any cost and other data (¶40 (1) (c), (d), (e)).

Further examples of this doubtless unintended—but injurious—application of the Paragraph to non-trade association matters are given in connection with the subsequent discussion of specific subdivisions of the Paragraph.

Again, the Paragraph purports to deal with facts disclosed by the record, yet it affects:

(1) Corning, although this company was never a member of GCA (Stip. Ex. GCA 5188 [Exhibit I], R. XII, 8543, 8564, *et seq.*). There is no claim that Corning took any part whatever in the activities of GCA or concerned itself with the subject matter of those activities;

(2) Non-container ware (defined in Paragraph 1 as included in the term "glassware"), although non-container ware was never a subject matter of GCA activities;

(3) Foreign as well as domestic transactions, although domestic transactions alone were challenged by the Department; and

(4) Agreements authorized by statutes such as the Webb-Pomerene Act, the Small Business Mobili-

zation Act and the patent laws (Miller-Tydings contracts alone being excluded).

This results in the application of the Paragraph to undefined fields and with effects that are difficult to portray—by reason of the absence of any record relating thereto. Thus any Webb-Pomerene export association for the container industry, which lawfully contemplates the fixing of prices and the allocation of markets abroad (15 U. S. C. §62), is forbidden although neither the complaint nor the record raise any such issue.

Finally, the Paragraph purports to deal solely with GCA matters passed upon by the trial court, yet it embraces:

(1) Machinery, although the court failed to find that GCA had anything to do with machinery or with statistics relating thereto; and

(2) Prices, although the lower court did not find that either GCA or its officers were parties to any conspiracy in that regard (R. Op. Vol., 84).

The provisions of the Paragraph should be generally modified, we submit, to apply solely to the GCA and its members, and to forbid solely the trade association practices here litigated.

Corning—never a member—should be totally eliminated from the Paragraph. Likewise, Collins, Fulton, Fisher and Dilworth should be totally eliminated from the paragraph, since the only member of GCA with which they are or have been associated—Anchor-Hocking—has been absolved below from having been a participant in the alleged conspiracy, either through membership in GCA or otherwise.

Turning now to an analysis of the specific subdivisions of Paragraph 40—

Initial prohibition.

Sub-paragraph 1 (a) of Paragraph 40 sweepingly enjoins GCA and all of the other defendants from:

> "* * * agreeing, combining, or conspiring with any other defendant corporation, its directors, officers, agents, and employees, or with any other manufacturer or seller of glassware or of machinery to be used in the manufacture of glassware, its directors, officers, agents, and employees: (a) to limit the production of glassware or of machinery used in the manufacture of glassware, or to fix, raise, maintain, or adhere to prices of glassware or of such machinery; or to coerce, intentionally persuade, cause, impel, advise or induce any manufacturer of glassware or of such machinery to limit the production of glassware or of such machinery or to fix, raise, maintain or adhere to prices of glassware or of such machinery".

This Sub-paragraph—when modified to limit its application in the manner above outlined, including the exemption therefrom of normal commercial practices such as between buyer and seller, principal and agent, licensor and licensee, and servicing company and party served—is not objectionable in the event the GCA is found to be a party to an illegal conspiracy. For it adequately curtails and regulates the GCA, its officers and its members. There is not one unlawful transaction of which the Association is accused which would not be prohibited by its broad injunction.

Paragraph 40, however, does not stop here.

Conflict with Maple Flooring ruling.

Sub-paragraph (1)(b) next enjoins the GCA and the other defendants from agreeing:

> "* * * to ascertain the volume of business of manufacturers of glassware or of machinery used in the

manufacture of glassware for any period or periods, or to make forecasts of the estimated demands for different types of glassware or of such machinery, where the purpose or effect thereof is to coerce or intentionally persuade any manufacturer of glassware or of such machinery to limit or control production or to fix, raise, or maintain the price of glassware or of such machinery".

This Sub-paragraph is objectionable, if—as the form and punctuation of its first three lines might be construed to indicate—it means that the GCA cannot, under any conditions, or for any purpose, ascertain the volume of the business of the manufacturers of glassware. For the mere ascertainment of this information, with no agreement that it shall be put to an improper use, is not unlawful. And, in this connection, *observe* that the forbidden ascertainment of the volume of business is not confined to that of a single manufacturer, but would apply as well to any ascertainment of the over-all volume of the total manufacturing in the industry.

This Sub-paragraph is objectionable, however, even if the above construction is rejected. For the Sub-paragraph then means that the GCA may not obtain statistics on volume of business or make forecasts of the estimated demands for glassware, where the effect thereof is to persuade any manufacturer to limit or control its production. Yet the law has never heretofore condemned trade association activities merely because their effect might be to persuade a single manufacturer, acting of its own volition and relying upon its own uncontrolled judgment, to curtail or limit its own production and to do so in the absence of any agreement, express or implied, with other manufacturers in that regard. That is the way the law of supply and demand works—by individual adjustments to known facts. The courts have

realized that a contrary ruling would require a trade association to withhold all informative data from its members —forcing its members instead to compete blindly without adequate knowledge of industry facts in which they would have a legitimate interest.

This Sub-paragraph, stripped of its verbiage, forbids the GCA to engage in trade association activities where the effect is enlightened competition.

Sub-paragraph (1)(c) enjoins the GCA and the other defendants from agreeing:

> "• • • to collect, compile, analyze, or distribute data concerning the production, sales, orders, shipments, deliveries, costs, or prices of glassware or of machinery used in the manufacture of glassware, where there is any disclosure of data concerning any particular manufacturer or where the purpose or effect is to coerce or intentionally persuade any manufacturer to limit or control production or to fix, raise, or maintain the price of glassware or of such machinery."

This Sub-paragraph, similarly, is objectionable. The language used would prohibit the GCA from making a survey or analysis of the business of a single manufacturer, or, having done so, to impart the result thereof to such manufacturer alone. And, it is also open to the additional objection that it forbids any disclosure of statistics concerning the business of one manufacturer to other manufacturers— a practice which, in the absence of an agreement, express or implied, to prevent competition or otherwise violate the law, is clearly not illegal. It further has the restrictive effect upon the distribution of data pointed out in connection with Sub-paragraph 1(b).

These Sub-paragraphs, it should be recalled, apply even to dealings between a defendant manufacturer and his cus-

tomers. Thereunder a defendant cannot even discuss his own prices or probable market conditions, estimate his or his customers' volume, or distribute cost data, where the defendant manufacturer's prices or volume are affected—in either the container or the non-container industry.

In short, Sub-paragraphs (1)(b) and (c)—by condemning trade association activities which result in intelligent competition—seek to reverse the ruling of this Court in *Maple Flooring Manufacturers Ass'n* v. *United States,* 268 U. S. 563, that:

> "Persons who unite in gathering and disseminating information in trade journals and statistical reports on industry; who gather and publish statistics as to the amount of production of commodities in interstate commerce, and who report market prices, are not engaged in unlawful conspiracies in restraint of trade merely because the ultimate result of their efforts may be to stabilize prices or limit production through a better understanding of economic laws and a more general ability to conform to them" (p. 584).

This *Maple Flooring* ruling has, of course, been repeatedly reaffirmed by this and other federal courts in subsequent cases.

These Sub-paragraphs—totally unnecessary in view of Sub-paragraph (1)(a)—and objectionable for the reasons above discussed—should be deleted.

Conflict with Sugar Institute ruling.

Sub-paragraph (1)(d) enjoins the GCA and the other defendants from agreeing:

> "• • • to distribute or report any statistics or statistical compilations concerning any aspect of the manufacture and sale of glassware or of machinery

used in the manufacture of glassware, other than information bearing directly upon royalty payments owed to or paid to a licensor or dues owed to or paid to a trade association as provided in subdivision (e) of this subparagraph 40(a), unless such information is made fully and fairly available to the general public at the time of its initial dissemination".

This Sub-paragraph is particularly objectionable because it requires the *general public* to be advised as to *any* statistics dealing with *any* aspect of the manufacture of glassware. This would make it impossible for the GCA to report to its members only, or to the glass industry alone, the progress being made by way of inquiry or research of a scientific nature. The glass container industry competes vigorously with other container industries, e. g. tin, paper and plastics; yet if this provision stands, the GCA must reveal to competitors, as component parts of the general public, all that it does by way of research to improve the products and to protect and enhance the business of the industry.

The GCA under this Sub-paragraph could not lawfully make confidential reports dealing with efficiency or progress in the manufacture and distribution of glassware so that its members might avail themselves of improved methods and thereby reduce costs. And there would be many other matters, possibly falling within the vague term "statistics", of such a confidential character that they should not be revealed to the general public.

A defendant manufacturer, moreover—being forbidden to disclose any data regarding "any aspect of the manufacture and sale of glassware" to any "seller", unless this information is disclosed to the general public—may not under this Paragraph even inform his dealers privately of his volume of production or costs or sales or other com-

mercial data without making this confidential information public to competitors.

This Sub-paragraph applies even to the performance of admittedly beneficial services performed by some of the defendants. Hartford, for example, is accustomed to make studies of individual licensee's machine efficiency, to analyze the latter's costs and to provide ware and cost accounting in order to reduce licensees' costs, increase their production and improve the quality of their products—with resulting stimulation of competition (R. VII, 5443-54; Stip. Ex. H-6152, R. IX, 6737, R. XII, 8595). Sub-paragraph 1(c) possibly forbids these services; but Sub-paragraph 1(d) indisputably outlaws such studies unconditionally unless the exceedingly confidential data involved is disclosed to the world.

This Sub-paragraph should either be deleted—or modified—in conformance with the ruling in *Sugar Institute, Inc.* v. *United States,* 297 U. S. 553, that:

> "• • • to require, under the penalties of disobedience of the injunction, the dissemination of everything that the Institute may learn might well prejudice rather than serve the interests of fair competition and obstruct the useful and entirely lawful activities of the refiners" (p. 604).

Other sweeping prohibitions.

Sub-paragraph (1)(e) enjoins the GCA and the other defendants from agreeing:

> "• • • to examine or audit the records or accounts of a manufacturer of glassware or of machinery to be used in the manufacture of glassware, provided, however, that this subparagraph 40(1)(e) shall not • • • prohibit an association from having an independent auditor examine the records and accounts of members of the association where it is made a condition of the employment of such auditor that he dis-

close only such information to the association as is necessary to determine the amount of dues payable by the member to the association".

This provision has no relation to any issue in this case, and is not limited to acts in furtherance of an alleged conspiracy, but seeks to regulate generally the right of the GCA to examine the accounts of its members.

This provision furthermore, even more directly than Sub-paragraphs (1)(c) and (d), outlaw the efficiency studies undertaken by Hartford as a public service to increase the productivity of its small licensees.

It even prevents an audit of the records of a non-defendant manufacturer by a defendant customer—or of a defendant manufacturer by a non-defendant customer—who purchases goods for resale on a cost plus contract basis.

We respectfully submit that this decree should not be made the occasion for the exercise of such wholly extrinsic regulatory power with such harmful results.

Sub-paragraph (1)(f) enjoins the GCA and the other defendants from agreeing:

> "* * * to allocate or refrain from soliciting customers of manufacturers of glassware or of machinery used in the manufacture of glassware, or to allocate markets or marketing territories among the several manufacturers".

This provision should not be applicable to the defendants, for there is no evidence that the GCA did anything in furtherance of the purposes stated.

It is further objectionable in that, applied to patented articles it prohibits all lawful limited licenses, and applied to foreign transactions it nullifies the Webb-Pomerene Act.

Sub-paragraph (2) enjoins the GCA and the other defendants individually from:

"• • • formulating, promoting or taking part in any plan with any other corporation for the prorating of business or the equitable sharing of available business."

This Sub-paragraph is objectionable in that it is not even limited to acts in furtherance of an alleged conspiracy, but includes the formulating, etc. of any plan, under any circumstances or conditions, for the prorating or equitable sharing of available business. It is not even limited to a plan relating to the glass business or the glass industry.

The provision indeed is so sweeping that it might be construed even to foreclose a glassware manufacturer from entering into a partnership with a manufacturer in another —non-competitive—industry for the purpose of pooling the research and experience of the two companies in an endeavor to create some entirely new product. Such a partnership necessarily would involve a species of "prorating of business" between the participating partners.

Sub-paragraph (3) finally enjoins the GCA and the other defendants individually from:

"• • • distributing data concerning the production, shipments, sales, orders, costs, or prices of any manufacturer of glassware or of machinery to be used in the manufacture of glassware, or presenting or discussing data dealing with sales, orders, costs or prices at meetings, or elsewhere, or by correspondence or otherwise, in such form or manner as to indicate that any manufacturer or manufacturers of glassware or of such machinery has or have exceeded any production quota or failed to adhere, or should conform to any price".

This Sub-paragraph similarly is objectionable because it is not limited to conduct in furtherance of a conspiracy; the language concerning prices and machinery should be elimi-

nated for reasons already stated; and "discussing data dealing with sales", etc., in such form or manner as to "indicate" that any manufacturer has exceeded any production quota, is entirely too indefinite to be enforceable.

A defendant under this Sub-paragraph may not even "discuss" with a customer whether a competing manufacturer "adheres" to his list prices, although this information must be obtained by a defendant if he is to be able to meet competitive prices.

This Sub-paragraph might not be objectionable—except to the extent it is duplicative of Sub-paragraph (1) (a)—if it simply forbade the operation of domestic glassware quota agreements among the defendants. It is so vaguely worded, however, that any distribution of statistics by the GCA or any other defendant is thrown under a cloud.

In short, Sub-paragraphs (1) (e)-(f), (2) and (3) seek to enjoin lawful as well as unlawful action by GCA and the other defendants. Yet such an injunction, the court in *Ultra-Violet Products, Inc.* v. *Federal Trade Commission*, C. C. H. Trade Reg. Serv., Par. 57,266 (C. C. A. 9th), recently pointed out, is an abuse of the injunctive process because it does not correct error but instead inflicts unauthorized "punishment" (p. 57,429).

Modification necessary.

If Paragraph 40 stands, in its present form, it will sweep aside much of the trade association law heretofore enunciated by this Court in addition to prohibiting entirely lawful conduct of the defendants wholly outside the GCA.

The *Maple Flooring* and the *Sugar Institute* cases, in the respects stated, will be overruled.

We submit that, in a case of this magnitude, involving so many questions of novel law, any such drastic revision

of trade association law should not thus lightly be undertaken.

We suggest, therefore, that the traditional injunctive provisions of Paragraph 40 (a)—modified as indicated at pages 148-151, *supra*—should suffice and that the succeeding provisions of novel and ambiguous scope be deleted.

We gain substantial support for this recommendation from the record.

The District Court found that the GCA and its associated defendants were parties to the alleged conspiracy herein in two respects only, *i. e.*, restricting the expansion of the glass industry, and limiting production by means of the GCA's system of forecasts (FF. 498-508, R. X, 7376-8). If they were parties to this alleged conspiracy, the order of injunction against them, and the restrictions imposed upon the future operations of the GCA, should be limited to such restraining measures as may be necessary to prevent a continuation or a recurrence of acts in furtherance of that conspiracy. There is no justifiable basis for the drastic, punitive and destructive provisions of the decree as it now stands, nor for making it the occasion for regulating and restricting the future operations not only of GCA in respects wholly outside the issues here presented but also of the other defendants in respects independent of any GCA relationships, and for destroying the value of GCA as a trade association seeking to serve an important industry.

In considering this part of the judgment, it should be borne in mind that GCA's forecast system was abandoned in 1939 (see GCA main brief, pp. 36 *et seq.*), and that no act which could reasonably be said to evidence a purpose to prevent expansion of the industry occurred after 1937.

To summarize, all of Paragraph 40 should be deleted except Sub-paragraph 1(a), which should be modified as previously suggested.

Injunctions Involving Fruit Jars.

(Par. 41: Prohibition of Fruit Jar Limitations.)

Paragraph 41* of the judgment (R. X, 7682) enjoins Owens, Ball, Hazel-Atlas and Hartford, and their associated individual defendants, from agreeing with each other or with any other manufacturer or distributor of glassware or glassware machinery to restrain or limit the production or sale of fruit jars.

Prohibition of lawful agreements.

This seemingly plausible Paragraph is so all comprehensive as to be objectionable—aside from defendants' belief that the findings herein of a fruit jar conspiracy are erroneous.

It is well recognized that every agreement concerning trade restrains (*Board of Trade of The City of Chicago* v. *United States,* 246 U. S. 231, 238). It, therefore, seems apparent that Paragraph 41 in forbidding agreements which "restrain" is couched in such terms that the defendants, designated therein, cannot enter into any agreement—relating in any way to fruit jars—with any manufacturer or distributor of glassware or glass-making machinery, without laying themselves liable to contempt proceedings.

The Paragraph is so broadly phrased that it forbids a lawful agency agreement in which the agent's activities as a distributor of fruit jars, are limited to a specified territory. The granting of a non-exclusive license under a patent relating to the production of fruit jars and requiring the payment of royalties, might also provide a basis for contempt proceedings, since the mere agreement to pay royalties under the license might be held—at least under the

* See pages 34-35 of defendants' reprint of the judgment.

Department's theories in this case—to impose some remote restraint on the licensee in his business of making and selling fruit jars.

Modification necessary.

The Paragraph, obviously, should be modified.

The Paragraph should expressly provide that it is not intended to forbid patent, agency and other agreements qualifying under *United States* v. *American Tobacco Company,* 221 U. S. 106, as:

"• • • normal and usual contracts" (p. 179).

(Par. 42: Prohibition of Ball Agreements.)

Paragraph 42* (R. X, 7682-3) enjoins Ball and its individual associated defendants from enforcing provisions of specifically named agreements with non-defendants and from entering into the agreements forbidden in Paragraph 41.

Paragraph entirely unnecessary.

The first half of this Paragraph refers to matters which are moot. It enjoins the enforcement of contract provisions which have long since been cancelled (FF. 514-515, R. X, 7379. See also Exs. B-5035 and B-6093, R. III, 1569, R. XIII, 9554A and R. IX, 6642, R. XIII, 9864A).

The second half of this Paragraph enjoins Ball in exactly the same language with which it is enjoined in Paragraph 41.

Deletion necessary.

Equity, it is said, does not do a vain thing.

Paragraph 42, under this rule, should be deleted.

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* See page 35 of defendants' reprint of the judgment.

(Par. 43: Sale of Ball Assets.)

Paragraph 43* of the judgment (R. X, 7683) requires Ball to offer for sale specified Three Rivers property.

Position of Ball.

Ball takes the position that if the Court is of the opinion that the acquisition of these assets of the Three Rivers Glass Company by Ball Glass Corporation was unlawful, and that competitive conditions can only be restored by divesting the Ball Corporation of those assets, then Paragraph 43 should be retained in the judgment.

Attention, however, is drawn to the fact that the Three Rivers Glass Company was a failing company. The assets referred to in Paragraph 43 of the judgment were purchased from the receiver of that company in 1936 after a two-year effort on his part to sell the same to Ball (Ex. 1198, R. IV, 3057; R. XXI, 13804A; Ex. 1803, R. VI, 4611; R. XXII, 14317). The ruling of this Court in *International Shoe Company* v. *Federal Trade Commission,* 280 U. S. 291, 298-299, would seem to be applicable in view of the fact that there is no evidence that the acquisition by Ball of the assets of this insolvent company resulted in a lessening of competition to any substantial degree.

Impounding of Funds.

(Par. 44: Seizure of Payments to Ball.)

Paragraph 44** (R. X, 7683) directs Ball to pay to the Clerk of the Court all monies received by Ball from Hartford pursuant to the Ball-Hartford agreement of August 1, 1940, which sums are to be held by the Clerk subject to further order.

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* See pages 35-36 of defendants' reprint of the judgment.

** *Id.,* page 36.

Payments lawfully received.

The background of this Paragraph is as follows:

Ball—the Government concedes (Original Government brief, p. 387)—made a claim in 1939 against Hartford for breach of its March 25, 1933 agreement (Ex. 199, R. II, 999, R. XII, 8877 and Ex. 1298, R. IV, 3068, R. XXI, 13816). This controversy—thus commenced ten months prior to the filing of the instant complaint—together with the above-mentioned exhibit discloses that Ball was reluctant to continue the payment of royalties to Hartford under the license agreement.

On August 1, 1940 this controversy between Ball and Hartford was settled by an agreement (Ex. H-5026, R. II, 1473-1475; R. XIII, 9527), under the terms of which Hartford extended Ball's rights to use Hartford feeder inventions in the manufacture of glassware, released Ball from certain obligations as to its patents by cancelling portions of the March 25, 1933 license agreement, and paid Ball $425,000. In return, Ball reassigned to Hartford the so-called residual (exclusive) rights as to the use of the Hartford feeder inventions in the manufacture of fruit jars, and the parties released each other "from all claims arising out of past representations made by either of the parties, to the other, or otherwise arising in connection with the agreement of March 25, 1933." The record also discloses that Ball continued to pay royalties to Hartford under the license agreement, as modified by the August 1, 1940 settlement agreement.

The reassignment by Ball of the exclusive feature of its license, relating to the use of Hartford feeder inventions in the manufacture of fruit jars, thus enabled Hartford to extend fruit jar rights to all its licensees (FF. 516, R. X, 7379).

On October 18, 1940, i.e., prior to the trial of this cause, a supplemental answer (R. I, 434) was filed on behalf of Ball and the Ball defendants setting forth the changed condition growing out of the settlement agreement of August 1, 1940. The Government, however, gave no indication that it opposed or objected to the settlement between Ball and Hartford or that it opposed or objected to the extension of Hartford's patent rights to all of Hartford's licensees so that they, as well as Ball, could employ the Hartford feeder inventions in the manufacture of fruit jars. It is also noted that the Government failed to amend its complaint as a preliminary to objecting to the activities of Ball and Hartford which resulted in the settlement agreement of August 1, 1940. The Government brief at final hearing in the court below gave the first indication to Ball that the Government was in any way interested in the terms of the settlement agreement.

Deletion necessary.

Ball takes the position that the order contained in Paragraph 44 of the judgment imposes a penalty, and thereby violates well known principles of equity laid down by this and other Federal courts in cases similar to the present case.

E. g. *Standard Oil Co.* v. *United States,* 221 U. S. 1, 77-78;
Lacassagne v. *Chapuis,* 144 U. S. 119, 124;
United States v. *Addyston Pipe and Steel Co.,* 85 Fed. 271, 301-2 (C. C. A. 6th) affirmed 175 U. S. 211.

It is also contended that there is no statutory basis for the trial court's order directing Ball to pay the above-mentioned sum to the Clerk of the Court, whether for mere impounding or for some other purpose.

No matter how considered, the impounding order resulted in a forfeiture of $425,000 by Ball.

The Government relies upon two cases to support Paragraph 44 of the judgment, viz., *Mellen* v. *Moline Malleable Iron Co.,* 131 U. S. 352, 366, and *Jones* v. *Securities and Exchange Commission,* 298 U. S. 1, but neither of these cases bears on the present situation.

Mellen case: This case involved a situation in which a court of equity was called upon to quiet title as to certain properties of a bankrupt debtor. In writing the opinion of this Court, Mr. Justice Harlan said:

> "In *Graham v. Railroad Company,* 102 U. S. 148, 161, this court said that, 'when a corporation becomes insolvent, it is so far civilly dead that its property may be administered as a trust fund for the benefit of its stockholders and creditors. A court of equity, at the instance of the proper parties, will then make those funds trust funds, which, in other circumstances, are as much the absolute property of the corporation as any man's property is his' " (p. 366).

We contend that there is nothing in the Sherman Act or in the Clayton Act, by reason of this case or otherwise, which has the force or effect of converting the funds of a solvent corporation such as Ball or Hartford into a trust fund—even though a civil suit may have been filed by the Government charging such corporation with a violation of the terms and conditions of one or both of those Acts.

Jones case: This case involved a proceeding before the S.E.C. The opinion in part stated that:

> "In *Daniel* v. *Ferguson* L. R. (1891) 2 Ch. 27, suit had been brought to restrain defendant from building so as to darken plaintiff's lights. Notice of motion for a temporary injunction to be made upon

> a designated future day was served on the defendant. After receiving notice, the defendant put on a large number of men and proceeded with his building, running a wall up to a height of about 39 feet from the ground before the injunction was granted. The Court, without regard to the ultimate rights of the parties, held that the wall thus run up by defendant should be torn down at once, as an attempt to anticipate the order of the Court" (p. 16).

The opinion then refers to several cases of like import and states:

> "The conclusion to be drawn from all the cases is that after a defendant has been notified of the pendency of a suit seeking an injunction against him, even though a temporary injunction be not granted, he acts at his peril and subject to the power of the court to restore the status, wholly irrespective of the merits as they may be ultimately decided" (p. 17).

We contend that this case applies solely where a party to litigation seeks to anticipate and thereby prevent a restraining order. This of course was not the case here, because the settlement agreement of August 1, 1940 between Hartford and Ball not only involved the settlement of a genuine controversy, to which we have referred above, but it also involved a bona fide effort to settle by compliance with the plaintiff's demand at least one controversial point in the present case, namely Ball's release of its so-called residual rights as to fruit jars, to the satisfaction of the Department.

Moreover, in so far as Ball is concerned, the complaint in this cause centers around the license agreement of March 25, 1933 and Ball's acquisition thereby of residual fruit jar rights. With this in mind, it seems apparent that in relinquishing those rights by the 1940 agreement Ball was not

changing the *status quo* in an effort to prevent a restraining order or the effect of such an order. It was rather *tearing down the wall,* referred to in *Daniel* v. *Ferguson, supra,* in an effort to harmonize its activity with the ideas of the Government, as those ideas were made apparent by the charges of the complaint. It was, in fact, attempting to settle one controversial point and in that way to simplify the present litigation.

We earnestly submit that there is nothing in the law which prevents a defendant, such as Ball or Hartford, from settling controversies, even though it is a defendant in a suit under the Sherman and Clayton Acts. In this connection, we call attention to *Consolidated Edison Company* v. *National Labor Relations Board,* 305 U. S. 197, 237. In that case, as in the instant one a violation of statutory provisions was charged; in both, a change in the situation during the litigation was occasioned by activity on the part of a defendant; and in both, the changed situation was a matter of record but the party opposing the change neither amended its pleadings nor otherwise indicated opposition until after all testimony had been taken and the case was closed. This Court, in a ruling directly applicable here, declined to condemn such action by the defendant. In view of this ruling, we submit that the Government is not now in a position to urge any objection to the settlement agreement of August 1, 1940, or to any changed situation resulting from that agreement.

The forfeiture of Paragraph 44, we wish to add, has not benefited the public. It has not benefited trade conditions. It has not increased competition. As a matter of fact, the tying up of the funds in question has been directly detrimental to the public interest. It certainly has not improved Ball's competitive position as to the manufacture and sale of fruit jars or of other glass containers.

For all these reasons Ball urges that Paragraph 44 should be stricken from the judgment.

(Par. 45: Seizure of Payments to Corning.)

Paragraph 45* (R. X, 7683-4) directs Corning to pay to the Clerk of the Court all monies received by Corning from Hartford pursuant to the Corning-Hartford agreements of 1940 and to reassign three patents simultaneously acquired from Hartford. The Paragraph then enjoins Hartford from making further payments to Corning pursuant to these 1940 agreements.

Payments and patents lawfully received.

In an effort to settle the case before the trial started, Hartford and Corning entered into an agreement dated September 23, 1940 (Ex. H-5030, R. II, 1477, R. XIII, 9540), by which they cancelled the 1916 agreement and the 1922 agreement. In addition to the cancellation, the agreement provided for the payment by Hartford to Corning of $1,500,000 (later reduced to $1,125,000) in ten annual installments and the transfer to Corning of title to the Howard auto-blow, Peiler punty and Smith re-issue patents.

The judgment in Paragraph 27 declares unlawful and cancels the agreement of September 23, 1940 and in Paragraph 45 disposes of the payments and patents involved in the manner above described. What disposition is to be made of the money impounded is not indicated by the court.

Disposition of patents.

The reason why Corning desired to retain exclusive rights in the three patents on the cancellation of the 1922 agreement was because they had a real or asserted bearing

* See pages 36-37 of defendants' reprint of the judgment.

upon certain machines used by Corning, while they had no bearing on any machine made by Hartford, and Corning might otherwise have been blocked in the use of its machines.

Two of the three patents have now expired. The third patent—the Smith re-issue patent—reads on a feature of Corning's turret chain machine (Finding 79, R. X, 7293; R. VIII, 6026). Corning's only interest in the patent, which expires before the patent on the turret chain machine does (Finding 79, R. X, 7293; R. VIII, 6026), is to prevent the use of its own machine being blocked. If this Court shall conclude that this patent was improperly acquired by Corning, then Corning will dedicate this purely nuisance patent to the public.

Disposition of money.

The result of the cancellation in 1940 of the 1922 agreement has been that Corning now pays to Hartford substantially increased royalties on such Hartford machines as it uses and will use in the future and has relinquished all rights under the 1922 agreement originally bargained for (R. VIII, 5810). These increased royalties and relinquishment of rights were compensated for by Hartford's agreement to pay Corning $1,125,000. The agreement to pay this sum was fairly arrived at by the parties after several weeks of negotiation. It can in no sense be said to restrain or monopolize trade of any kind.

Corning submits that its right to receive payment from Hartford under the cancellation agreement should not be destroyed and confiscated and that the 1940 agreement should be given the effect and construction intended.

(Par. 46: Compulsion of Payments from Hartford and Hazel-Atlas.)

Paragraph 46* (R. X, 7684) continues in force an interlocutory order of the court (R. I., 519-21) entered on May 9, 1941—over a year before the judgment—compelling Hartford and Hazel-Atlas to pay to the court the monies thereafter payable by each to the other under the Hartford-Hazel-Atlas agreement of 1932.

Arbitrary nature of impounding order.

The 1932 agreement between Hartford and Hazel-Atlas provided in part for payments by Hazel-Atlas for use in Hazel-Atlas' machines of Hartford patents, and also for payments by Hartford for use by Hartford and its licensees of Hazel-Atlas patents and engineering knowledge, etc. During the trial below, on motion by the Government, the trial court decided that the evidence then before it made out a *prima facie* case that the 1932 agreement was unlawful; declared that the "continuance of payments" under the agreement will "if such agreement is eventually cancelled, cause irreparable injury to the competitors of Hazel-Atlas and to the public interest" (Impounding Order, Conclusion of Law 3, R. I., 518); and ordered that Hartford and Hazel-Atlas should make their payments to the court's clerk, in order to "insure to the Court sufficient funds to dissolve Hartford and incorporate competing companies if that ultimately becomes necessary" (Impounding Order, Finding 20, R. I, 517; Conclusion of Law 3, R. I, 518, 519). The final judgment of October 8, 1942 ordered the cancellation of the agreement which required the payments (¶27), but further ordered that the payments should nevertheless continue to be made, "until further order of this Court" or until "cancellation" (¶46).

* See page 37 of defendants' reprint of the judgment.

The trial court did not find that the Hartford patent licenses to Hazel-Atlas, or the Hazel-Atlas licenses to Hartford and its licensees, were valueless. The record shows that they were worth a great deal (Hartford main brief, pp. 38-42; Hartford reply brief, pp. 2-6; Hazel-Atlas reply brief, pp. 16-21). So, like Paragraph 15, which deprived Hartford of patent royalties due from licensees other than Hazel-Atlas (*supra*, pp. 68-73), this Paragraph 46 and the Impounding Order confiscated the Hazel-Atlas payments for Hartford patent rights, and also confiscated Hartford payments for Hazel-Atlas patents and engineering know-how, etc.

The Paragraph and Order created and imposed new obligations upon Hartford and Hazel-Atlas beyond those in the agreement. Under the normal operation of the Hartford-Hazel-Atlas agreement neither party was required to pay net thereunder an amount greater than (1) the sum it owed to the other *less* (2) the sum owing from the other to it (Ex. 142, §§3 and 6, R. II, 915, 917; R. XII, 8767-70, 8771). Under the terms of the Order, approved by Paragraph 46, however, each party was required to pay in full—without any deduction for amounts owing from the other party—in other words necessitating substantial duplicate payments (Impounding Order §§2 and 3, R. I, 519-20).*

The Paragraph and Order were plainly erroneous. It was one thing to declare the Hartford-Hazel-Atlas agreement *prima facie* invalid. It was another to provide for the continued performance of the agreement and the impounding of the money payments resulting therefrom. Each party was burdened with the obligations while its monetary benefits were confiscated.

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* On May 25, 1944 the court—in order to provide Hartford's receiver with more money with which to run the company—released to Hartford some of this money.

Hazel-Atlas further points out that this order was harsh on it for the additional reason that—being denied thereunder any offsetting payments from Hartford—Hazel-Atlas was required to pay its contract royalties into court without any allowance being made for the fact that these payments were made for the use of Hartford patents in Hazel-Atlas-owned machines, constructed and serviced by the costly engineering organization which Hazel-Atlas has maintained for many years. Hazel-Atlas has preferred to build and service its own machines rather than obtain them from Hartford under its 1932 agreement. Other Hartford licensees pay royalties at the same rate as Hazel-Atlas, but in most cases such royalties include not only use of Hartford patents, but also rent for their use of Hartford-owned machines and payment for Hartford-supplied engineering services. In the case of Hazel-Atlas, over 97% of the machines it uses are owned by Hazel-Atlas, serviced by its own organization (Hazel-Atlas reply brief, p. 28). The net effect of the order is that Hazel-Atlas, who uses machines manufactured by itself, has been paying as much as other Hartford licensees who lease Hartford-owned machines.

The primary purpose of the Paragraph and Order, moreover, heightened the clear injustice of this confiscation. The purpose was to make these two defendants pay monies with which—upon possible dissolution of Hartford, subsequently ruled out (R. Op. Vol., 160)—competing concerns might be established (R. I, 518). The record does not show what the trial judge had in mind here—what competing concerns were to be established, who were to operate them, who were to own them, and where they were to operate. Nor is this important. The important fact is that A's and B's money was to be seized—

without the slightest authority under the anti-trust laws—in order to give it to X, Y and Z.

Deletion necessary.

The Paragraph is a violation of the due process clause of the Constitution. As pointed out in *Great Atlantic & Pacific Tea Company* v. *Cream of Wheat Company,* 224 Fed. 566 (S. D. N. Y.), affirmed 227 Fed. 46 (C. C. A. 2nd), if Congress had sought by the Sherman Act to give one man's property to another:

> "• • • the gift is invalid, because the statute takes from one person for the private use of another the first person's private property" (p. 574).

The Sherman Act authorizes the District Court only "to prevent and restrain violations of the law" and, prior to final decree, "to make such temporary restraining order or prohibition as shall be deemed just in the premises." The District Court would have been authorized, under proper evidence, to restrain or prohibit Hartford and Hazel-Atlas from performing the contract, but the Act contains no authority to command the payment into court of monies accruing in the future under an agreement found to be *prima facie* illegal in order "to insure the Court sufficient funds to dissolve Hartford", etc.

As the Act itself mentions the subject of interlocutory orders, under established rules of statutory construction it is clear that the District Court was not authorized to enter any interlocutory order other than of the character specifically authorized. The impounding order is mandatory in character and is wholly inconsistent with a temporary restraining order. Such order was therefore not merely erroneous, but beyond the court's authority.

This Paragraph is clearly an abuse of the functions of equity. This Court has unequivocally ruled, as in *Lacas-*

sagne v. *Chapuis*, 144 U. S. 119, that—even apart from the directions of the Sherman Act:

> "An injunction will not be used to take property out of the possession of one party and put it into that of another" (p. 124).

Paragraph 46 and the Impounding Order should be declared erroneous, and the Paragraph should be deleted from the judgment.

Injunctions Involving Other Transactions.

(Par. 47: Cancellation of Thatcher Agreements.)

This Paragraph* (R. X, 7684-5), enjoins the enforcement of two agreements, involving Thatcher, which by their terms have expired.

There is no need, accordingly, to object to this Paragraph if a judgment other than of dismissal is to be entered.

(Par. 48: Restraints upon Lynch Agreements.)

Paragraph 48** (R. X, 7685) enjoins Hartford and Lynch, and their associated individual defendants, from enforcing any provision in any agreement between the parties, including their 1933 agreement, which limits the terms upon which or customers to whom Lynch may sell forming machines embodying Hartford inventions.

Prohibition of limited licensing.

This Paragraph is merely a concrete application of Paragraph 29 (a). It forbids in perpetuity a defendant (Hartford) from ever granting a licensee (Lynch) a limited license.

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* See page 37 of defendants' reprint of the judgment.

** *Id.* page 38.

This Paragraph—in so far as it specifically enjoins the enforcement of such limited license provisions in the 1933 agreement—is unnecessary. That agreement was voluntarily cancelled on September 18, 1940 (Ex. H-5027, R. II, 1475; R. XIII, 9532), and any revival thereof would be barred by Paragraph 27 of the judgment. At no time has there been any complaint by the Department that the 1940 contract, providing unlimited licenses, was improper.

This Paragraph—in so far as it generally enjoins the enforcement of such limited license provisions in any future agreement—condemns in perpetuity lawful action. See e. g. *General Talking Pictures Corp.* v. *Western Electric Co.*, 304 U. S. 175 and 305 U. S. 124.

Modification necessary.

Paragraph 48 should forbid, at most, use of the specified limited license provisions as part of or pursuant to an illegal conspiracy.

See generally the discussion of limited licensing in connection with Paragraph 29 (a), *supra*, at page 118 *et seq.*

(Par. 49: Sale of Lynch Assets.)

Paragraph 49* (R. X, 7685) requires Lynch to offer for sale, two years after the war, property acquired by it in 1933 from the Miller Machine & Mold Works.

Miller properties reasonably acquired.

Lynch, at the time it acquired the Miller assets, was a manufacturer of forming machines for making narrow neck bottles. Miller on the other hand was a manufacturer of forming machines for making wide mouth ware. Lynch purchased Miller and thereby was enabled to engage both in the wide mouth and in the narrow neck forming machine businesses (Lynch main brief, pp. 8-13, 53-59).

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* See page 38 of defendants' reprint of the judgment.

Lynch has not through the Miller wide mouth acquisition unreasonably restrained trade in the wide mouth field. There is neither evidence nor any finding showing that it has. There is solely an erroneous finding that Lynch and Miller were competitors (Lynch main brief, pp. 11-12, 53-59).

Since such acquisition Lynch has continued to furnish all models of machines formerly made by Miller and has had the same competition that Miller previously had.

Swissvale Glass Machinery Corporation (R. IX, 6792-6809; Exs. 2013, 2022 and 2029, R. IX, 6793, 6797, R. XXIV, 14660-70), Sommerfeld Machine Company (Ex. H-6189; R. IX, 6786, Fol. 64694), Washington Mold Machine and Foundry Company (R. IX, 6786-92), Amsler-Morton Company (R. IX, 6776-86; Ex. H-6188, R. IX, 6780, Fol. 64692) and Hartford (R. VI, 4469-70) all presently offer competitive machines for the wide mouth field in the United States as well as abroad.

Deletion necessary.

It would appear obvious that the penalty imposed by Section 49 upon Lynch, requiring it to dispose of the wide mouth portion of its business at a price to be approved by the court, is inappropriate, not warranted by the evidence, and not sustained by the court's findings.

In the eleven years during which Lynch has manufactured the Miller wide mouth type machines, many improvements have been effected therein, and although the Miller acquisition has been treated by the court as a separate business, it has naturally become merged completely into the general business activity of Lynch Corporation.

Yet, as has been previously pointed out, no opportunity was given to present evidence upon these and other facts bearing upon the subject of this sale or its effect. Neither the court, the Department, nor the defendant is apprised

of the nature or condition of the property ordered sold, or of its value.

The fact is that it is entirely problematical whether any sale can be effected at all—which possibly accounts for the reason why the Department suggested it be postponed until two years after the war. If trade is being unduly restrained by Lynch, why postpone the sale?

This unwarranted order of sale is a further example of the lack of care in the preparation of the judgment—drafted as it was without giving due consideration to the evidence taken during the trial and without hearing testimony relating to the relief to be granted. No attempt was made to show that competition will be enhanced by the proposed sale, or that it will be of benefit to the public at large. In short, there is no basis in fact or law for the provision.

(Par. 50: Amendment of Hartford Charter.)

This Paragraph* (R. X, 7686) provides for an amendment to Hartford's charter.

This charter provision, despite the attempt to magnify its importance below, is of little significance, and accordingly no objection is raised to its amendment if a judgment other than of dismissal is to be entered herein.

Revision of Patent Procedure.

(Pars. 51-52: Prohibition of Normal Patent Acquisitions.)

Paragraphs 51 and 52† (R. X, 7686-7) substantially deny to each of the corporate and individual defendants, other than the GCA defendants, the benefits of the patent laws, by perpetually enjoining them from acquisitions of

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* See page 39 of defendants' reprint of the judgment.

† *Id.* pages 39-41.

normal patent rights in the glassware field—whether by purchase from others or through patenting their own inventions—and irrespective of whether or not the defendants affected have ever owned any patents, let alone misused them.

Sweeping nature of prohibitions.

Paragraph 51 perpetually enjoins the defendants from acquiring from anyone—other than an employee—any patent, patent application or exclusive rights thereunder covering any invention, in the manufacture of glassware, which obtains results "identical with, similar or alternative to those obtained or obtainable" by an invention covered by a patent already owned by the defendant.

Paragraph 52—inconsistently striking down the right reserved in Paragraph 51 to patent inventions made by employees—further enjoins the defendants from applying for any patent covering even their own inventions, which obtain or are capable of obtaining such "identical", "similar" or "alternative" results, if (a) the purpose, in whole or in part, of the application is to block off, fence in, prevent or hinder the use by others of the invention and (b) the applicant has the intention of not making commercial use of the invention within four years after the issuance of the patent—failure to make such use being *prima facie* proof of the absence [*sic*] of such intention.

It is clear that the purpose of these Paragraphs is to affect substantially all future patent acquisitions of the defendants. Nearly every new invention is either an alternative or an improved way of arriving at the results of old inventions—i.e., an invention that obtains results "identical with, similar or alternative to" existing inventions. Accordingly these Paragraphs provide that once any defend-

ant has a patented invention relating to any phase of the manufacture of glassware:

(a) He may never acquire a new patented invention relating thereto from any outside party—under any conditions (¶51), and

(b) He may never even acquire a patent covering his own later inventions relating thereto—unless he fulfills conditions which (we will show) are impossible of fulfillment (¶52).

Paragraphs 51 and 52 thereby set each defendant apart in perpetuity from all other persons in the way they are to be treated under the patent laws. No defendant is any longer entitled to acquire patents on the same basis as others, but instead its right to a patent is to be determined primarily by whether it already has a single patent in the same field.

The purported justification for these Paragraphs—spelled out in Paragraph 52—is that the defendants allegedly have indulged in the practice of obtaining "blocking" and "fencing" patents. But the sole support in the record for the contention that any defendant ever engaged in a policy of "blocking" or "fencing" is a portion of a single memorandum written more than 14 years ago by a single individual, associated with a single defendant, who died in 1931 (Ex. 388, R. II, 1226; R. XIX, 12958-76). That memorandum specifically pointed out that one of Hartford's principal purposes in applying for patents on inventions obtaining identical, similar or alternative results was to protect Hartford against "a competitor's having an estoppel or hold on our own developments" (R. XIX, 12968), a usual policy of self-protection followed by many corporations, including Ford and General Motors, whose practice in that respect appeared to meet the approval of the TNEC and the Department of Justice (TNEC Hearings, pt. 2, pp. 257, 691-2). Another reason for Hartford's

patenting alternative processes invented by it was dictated by bitter experience: it had initially patented and developed one only of two alternative types of feeder invented by it, later the second type invented by it turned out to be commercially better, but when it then sought patents on its alternative invention it was met with costly interferences (Ex. 388, R. II, 1226; R. XIX, 12970).

The absence of a single finding of fact that any defendant other than Hartford ever filed a single "blocking" or "fencing" application—and the failure to find that Hartford has filed any such application during the last fifteen years (R. X, 7319-20)—effectively disprove the Department's contention in its original brief (p. 384), and the theory necessarily underlying the application of both Paragraphs to every defendant, that there was a "consistent policy" of "blocking" or "fencing" on the part of all the defendants. In fact, the findings are that the alleged Hartford policy was directed specifically *against Owens* (R. X, 7319); a decree in equity should scarcely run against the intended victim of an alleged illegal policy.

Prohibition of patent purchases.

Upon the original argument in this Court, the Government sought to sustain the unprecedented injunction of Paragraph 51, against patent purchases, by two contentions (Original Government brief, p. 370).

The first argument advanced in support of the Paragraph was that, in view of the defendants' past record:

> "• • • it cannot be assumed that their purpose in engaging in any such acquisitions in the future will be innocent."

But certain of the corporate defendants (Thatcher, for example) and all the individual defendants never acquired any patent from others for any purpose, innocent

or illegal. And as to the other defendants who might at some time during the forty-odd years covered by the record have acquired a patent or patents from outsiders, the record is clear that they have not made any such acquisition for a decade or so. For example, the important patent acquisitions of Hartford were prior to 1934, over ten years ago; the last acquisition by Owens of any patent rights from outsiders was in 1935, nine years ago; in the entire period covered by the record, there are shown only 12 acquisitions of patent rights by Owens from outsiders.

Moreover, the record demonstrates that a principal reason for Hartford's purchases of patent rights was to buy insurance for itself and its licensees against infringement attacks which might have interfered with the continued use by licensees of Hartford machinery and might have prevented Hartford from producing the most efficient machines (See Hartford main brief, pp. 23-25 and R. II, 815, 1443, 1463). If the acquisition of blocking patents is prohibited, the industry and the public may well be deprived of the benefits of a greatly improved machine or an entirely new and important method—in the event that part of the inventions involved are made by a defendant and part of them by others, and the defendant is prohibited from acquiring the blocking inventions.

In any event the record clearly negatives the assumption that the purpose of *every* future acquisition of *every* defendant will be illegal, which is the assumption the Department asks this Court to make in order to support the drastic injunction.

The second argument which the Department advanced in support of Paragraph 51 was (p. 372):

> "The pool is large enough, and the time has come when its enlargement through further acquisitions should be stopped."

This word "pool" as thus used connotes generally either joint acquisitions of patents by, or exclusive cross-licensing agreements between, a number of competitors.*

But once again, there is not an iota of proof in the record as to many of the corporate or as to any of the individual defendants connecting them with any contribution of any patents to any alleged pool. For example, Ball never granted any license under any patents to Hartford or anyone else and there is no evidence in the record that any Ball patent contributed to any restraint of trade, conspiracy or monopoly. The principal pool alleged to have existed was between Hartford and Owens; but Hartford and Owens broke up that "pool" more than nine years ago and for more than eleven years have not jointly acquired —have not in that sense "pooled"—with others any patent right.

Even if Hartford's patent ownership and system of licenses had constituted an illegal pool up to the date of filing this suit—which we deny—it was abolished by the various contracts of 1935 to 1940 and by Hartford's voluntarily offering unrestricted licenses to the world with the consent of all the other defendants who had theretofore had the benefit of exclusive licenses in any field. If any pool could by any possibility have survived that action it would obviously be destroyed by the other provisions of the decree enjoining joint action by the defendants, cancelling all exclusive agreements and—under the proposed modification of Paragraph 24(a)—disposing of Hartford's patents acquired from others. There is no pool to be further "enlarged".

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* However, the word "pool" does not necessarily mean an illegal aggregation of patents. It frequently connotes a legal and economically desirable aggregation of patent rights—which prevents blocking of industrial progress. Cf. *Standard Oil Co.* v. *United States*, 283 U. S. 163, 170-171.

Paragraph 51 therefore purports to enjoin a practice which, as to most of the defendants, including all the individual defendants, is not shown ever to have existed and, as to all the other defendants, is shown—to whatever extent it did exist—to have been completely abandoned. Furthermore the injunction of the Paragraph runs against each defendant severally, not merely against joint acquisitions.

It is no answer to reply that Paragraph 51 permits a defendant to obtain patents upon its own inventions. Paragraph 52, as will later be shown, prevents that. Furthermore, it is seldom that any one inventor can design and complete a complicated structure without running into inventions of others—which would block the completion and use of the structure unless they could be acquired.

Nor is it an answer to reply that the defendants are not enjoined from acquiring non-exclusive rights under a patent belonging to another. Independent inventors often produce inventions vital to the development of an industry. Those inventions, although frequently involving a long step forward in the art, are often incomplete from the standpoint of practical commercial use. The independent inventor is seldom financially able to spend either the time or the money necessary to bring his ideas to a complete fulfillment from the practical or the commercial standpoint. As one individual inventor testified before the TNEC (TNEC Hearing, Part 3):

> "• • • I want to make it very clear that the inventor in a project of this kind can only be a small unit, that the successful financing of the venture, its continuation over such a long period of years, the patent counsel, the other legal counsel required, and the technical staff which must eventually be evolved are major items in carrying such a complicated art to completion" (p. 988).

The sole market of such an inventor for an invention accordingly consists of those engaged in the industry to which the invention relates and having the facilities and the capital required to develop the invention and determine the extent to which it is capable of commercial application. But only in rare instances can capital, whether in the form of corporate or individual investment, be attracted to finance a major but unproved invention if the investor can obtain only a non-exclusive license. No individual and no corporation is willing to invest the large sum necessary to prove the commercial effectiveness of a revolutionary invention, no matter how promising that invention may appear, unless some particular advantage is likely to be gained by the investment. This advantage, however, is missing in a non-exclusive license—for if the invention is unsuccessful, the investor's time and money are wasted, and if the invention proves successful, every outsider having a similar non-exclusive license can take advantage of its pioneering work in the field.

It therefore seems apparent that Paragraph 51 in its present form will work to the detriment, not only of the defendants, but of individual inventors and of the public generally.

Conflict with patent and anti-trust laws.

Paragraph 51 is clearly contrary to the fundamental purpose of the patent laws to promote the progress of science and the useful arts by encouraging the publication of inventions through holding out the reward of a 17-year right to exclude others. *United States* v. *Dubilier Condenser Corp.*, 289 U. S. 178, 186-187. A defendant who invents an improvement in some step of the process of making a bottle or any other article will obviously think twice before applying for a patent thereon—if by patenting his invention

instead of keeping it secret, he disqualifies himself for 17 years from acquiring from an outsider any future patent covering a more important improvement relating to that step.

Moreover the patent statutes authorize, without qualification, the acquisition of patents by assignment (35 U. S. C., §47). Paragraph 51 engrafts upon the statute additional qualifications without benefit of Congressional approval.

Paragraph 51 is also inconsistent with the anti-trust laws. By discriminating against the defendants in their separate dealings with outside inventors, the judgment penalizes each of the defendants for things which many of them never did and which the other defendants have not done for years, while permitting all non-defendants in the industry to operate without restriction according to the settled principles of the patent law. For example, Owens, as a manufacturer of fruit jars, ranking fourth in that field and materially subordinate in production to Kerr, not a defendant (Ex. 1479-82, R. VI, 4258, R. XVIII, 12126-29), would have no chance to keep abreast of Kerr in relation to outside inventions affecting the manufacture of fruit jars. Kerr could make arrangements with an outside inventor which would be attractive to him; Owens would be prohibited.

Paragraph 51 thereby would actually restrain competition. For example, if the outside invention were one which was an improvement upon an Owens basic patent, Kerr could buy the improving patent, compel a license under the Owens basic patent under Paragraph 24, and build an efficient machine from the use of which Owens would be barred.

Similarly, Paragraph 51 places in the hands of non-defendant glassware manufacturers a powerful nuisance weapon to prevent the breaking of patent deadlocks. A competitor of one of the defendants would be free to buy a patent alleged to be infringed by some patented process

of the defendant and employ it to defeat the defendant's use of its own invention. At the same time, under Paragraph 24, the competitor would be able to compel a license under the defendant's invention.

A conspiracy to aggregate competing patents might violate the anti-trust laws. But it has never been suggested that if an individual or corporation has a patent covering a particular process he or it thereby becomes individually disqualified—under any and all conditions—from acquiring from an outsider a patent or exclusive license covering any alternative process or any improvement upon his own process. There has never been any formulation of a public policy that the anti-trust laws freeze a manufacturer's technique and ability to compete as soon as he acquires, through the Patent Office or from an outsider, a patent covering some aspect of the manufacturing process. In fact, as this Court has recognized, the policy is precisely to the contrary. *United States* v. *American Bell Telephone Company*, 167 U. S. 224, 249-50.

Modification of ¶51 necessary.

Paragraph 51, accordingly, should be modified as follows:

In the first place, the 57 individual defendants including Collins and Fulton, *et al.*, and those corporate defendants who have never acquired patents or exclusive rights should not be subject to the provisions of the Paragraph. They have done nothing to justify any injunction directed against them.

In the second place, those defendants who are found to have acquired patents or exclusive rights improperly—pursuant to the alleged illegal conspiracy charged in this case—should be enjoined only from unlawful acquisitions of

patents or exclusive rights as part of or pursuant to an unlawful anti-trust conspiracy.

The Paragraphs in other respects should be deleted. Individual lawful acquisitions of patents and patent rights —being normal and proper—should not be prohibited.

Prohibition of patenting own inventions.

Paragraph 52, as previously pointed out, enjoins the defendants from applying for any patent covering an invention capable of obtaining a result identical with, or similar, or alternative to, that obtainable by another of a defendant's patented inventions if two—purely mental—conditions are present: (a) the purpose, in whole or in part, of applying for the patent is "to block off, fence in, prevent or hinder" the use by others of the invention and* (b) the applicant has "the intention of not making commercial use of the invention * * * within four years" after the issuance of the patent, failure to make such use being *prima facie* proof of the absence [*sic*] of such intention.

The Department has admitted in its brief upon the original argument (p. 328) that the Paragraph is unintelligible. As a change it has suggested that the second of the two alleged evil states of mind, which will subject a defendant to threat of contempt proceedings, should be the intention of *never* making commercial use of the invention—failure to make use within four years after the issuance of the patent constituting *prima facie* proof that the defendant, at the time he filed his application, intended never to make such use.

The Department's only argument in support of the Paragraph is that (Original Government Brief, p. 384):

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* It is not entirely clear whether "and" is used here in order to make (a) and (b) cumulative or not. In Paragraphs 53-54 "and" is used when the meaning is clearly "or". We will assume, however, unless the Department argues to the contrary, that "and" in Paragraph 52 is intended to mean "and", and not "or".

"• • • when, as in the instant case, corporations follow a consistent policy" (*i. e.*, one lawyer of one defendant wrote one memorandum more than 14 years ago) "of applying for patents not for the purpose of using the inventions, but only for the purpose of preventing their use by others, the constitutional aim to promote the progress of science and useful arts has been defeated and the patent privilege is manifestly abused."

This statement reveals a completely erroneous approach to the fundamentals not only of the patent law but even of the meaning of the underlying constitutional provision. The right to obtain a patent is not a "privilege"; the granting of a patent is "the faithful execution of the solemn promise made by the United States" to which "the public faith is pledged." *Grant* v. *Raymond,* 6 Pet. 218, 242. Nor is any application for a patent ever filed "for the purpose of using the invention"; the purpose of every application is always, to use the Department's words, "only for the purpose of preventing their use by others". That is the only right given by the patent.

An inventor has a fundamental right to practice his invention; no constitutional provision, no patent laws, no patent office with its complicated and technical procedure, are necessary to confer that right. *Crown Dye & Tool Co.* v. *Nye Tool & Mach. Works,* 261 U. S. 24. An inventor may keep his discovery secret; if his invention be important and of a character which can be kept secret though put to use, he is at liberty to communicate it to no one and to achieve a monopoly which will last as long as secrecy can be maintained. Secret processes and formulae are not uncommon in our society; they were well known long before our Constitution was framed. The English guilds and system of apprenticeship were based upon keeping secret the mysteries and techniques of the several crafts.

However, the framers of our Constitution thought that the "progress of science and useful arts" would best be promoted by encouraging inventors to reveal their inventions to the world. In return for the earlier addition of the invention to the store of publicly available knowledge and the agreement by the inventor to dedicate to the public all rights in his invention at the end of 17 years, the United States unconditionally contracts with the inventor that he may exclude others from his discovery for a limited period. *Pennock* v. *Dialogue,* 2 Pet. 1, 19.

That right of exclusion is the only thing society pays for both the making and the disclosure of the invention by granting a patent. The obtaining of that right to exclude, "to block off, fence in, prevent or hinder" the use by others of the invention, is always the purpose, and as a matter of law the only purpose, of filing an application for a patent.

The right to exclude—the monopoly of the invention for 17 years— is an intangible right. As Mr. Justice Holmes has observed, "A patent is property carried to the highest degree of abstraction—a right *in rem* to exclude, without a physical object or content." 1 Holmes-Pollock Letters, p. 53. But ownership of real property is in the last analysis no less intangible, is nothing more than a bundle of abstract rights, comprising the right to exclude others, and to convey or devise that right (all of which are subject to numerous restrictions). Both the ownership of real property and of patents thus reduce to a common denominator: the owner gets the right to keep all others outside the property described by metes and bounds in the deed or the invention specified in the claims of the patent, unless he gives a lease or license permitting another to encroach upon his domain.

Unlike some other economic systems, ours has not required an owner to make any use of his real property. Neither has our economic system heretofore required a

patent to be worked or used commercially, or invalidated an application for a patent if the applicant did not affirmatively intend to use his own invention.

Recognizing that the purpose of the patent laws is not to provide for the use of inventions but is to stimulate their immediate publication and their ultimate dedication to the public, with resulting stimulation of more inventions, this Court has rejected the contention that non-use of a patent by an inventor, even if it be to advance some collateral interest, deprives the inventor of his rights under the patent. Instead the inventor has been held to have the right to make as many contributions to science as his genius permits and, upon disclosure thereof through obtaining patents covering those inventions, to use the one he finds most feasible at the moment and to hold the others unused. As this Court said in *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405, 429:

> "* * * As to the suggestion that competitors were excluded from the use of the new patent, we answer that such exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, *without question of motive.*"

Mr. Justice Holmes stated that it was fundamental that:

> "* * * The use made by the patentee may be not to make and sell the patented article but simply to keep other people from doing so *in aid of some collateral interest of his own.*" (Dissenting opinion in *Long* v. *Rockwood*, 277 U. S. 142, 149, overruled, *Fox Film Corp.* v. *Doyal*, et al., 286 U. S. 123.)

The *Paper Bag* case thus clearly establishes the principle that use or non-use of a patent, regardless of motive, has no effect upon the rights or remedies of the patentee.

The only case decided by any Federal court which is inconsistent with that principle so uniformly established by this and all other Federal courts is *Special Equipment Company* v. *Coe,* 62 U. S. P. Q. 12 (D. C. Ct. of App.). In that case the court, Mr. Justice Arnold writing the opinion, refused to follow the *Paper Bag* case on the ground that it had been overruled in *Motion Picture Patents Company* v. *Universal Film Mfg. Co.,* 243 U. S. 502, and *Ethyl Gasoline Corporation* v. *U. S.,* 309 U. S. 436.

But this conclusion that the *Paper Bag* case had been overruled by the principle announced in the *Motion Picture Patents* case is squarely contrary to this Court's approving citation of the *Paper Bag* decision in that very case and its subsequent unanimous approval of it as the "fullest and most satisfactory discussion" of the rights which a patentee acquires. *Crown Die & Tool Co.* v. *Nye Tool & Mach. Works, supra* (261 U. S. 24, 34). This conclusion is also wholly inconsistent with the repeated citation by this Court, during the 28 years since the *Motion Picture Patents* decision, of the *Paper Bag* case as an accurate analysis of the fundamental principles of patent law. *Woodbridge, et al.* v. *U. S.,* 263 U. S. 50, 55; *Long* v. *Rockwood,* 277 U. S. 142, 147, 149; *Fox Film Corp.* v. *Doyal, et al.,* 286 U. S. 123, 127; *U. S.* v. *Dubilier Condenser Corp.,* 289 U. S. 178, 186.

And the *Ethyl* case, the only other justification which the court in the *Special Equipment* case found for departing from the principle heretofore uniformly followed by this Court, casts no doubt upon the soundness of the *Paper Bag* case.

The *Ethyl* case involved an attempt by the owner of two patents to use one to revive lost rights in the other. It had no bearing upon the problem supposed to be presented where the owner of two distinct patents fails to use or license under one but does use the other—even if his pur-

pose in declining to use or license under the first be to protect the latter invention he uses. In such a situation there is no enlargement of the monopoly granted under either patent. Unlike the *Ethyl* case, the patentee's right of exclusion under *each* patent is in full vigor. His exercise of the right to exclude under one, without exercising his common law right of use, does not one whit "enlarge" his statutory right to exclude under the other which he does use. To be sure, the two patents cover more than one, but that is the patentee's reward for making and publishing two inventions.

The decision in the *Special Equipment* case and Paragraph 52 are therefore not only squarely contrary to the *Paper Bag* case, but also without support from any of the subsequent decisions of this Court upon which the court in the *Special Equipment* case relied.

Attempt to add "mental" tests.

Paragraph 52, on its face, is flatly inconsistent with the test of patentability enacted by Congress pursuant to the constitutional mandate.

These are the tests provided by Congress: A patentable invention must be new and useful; it must be an art, machine, manufacture, composition of matter, or improvement thereof; and it must not have been known or used by others in this country or patented or described in any printed publication or in public use or on sale, for more than one year prior to the application (35 U. S. C. §31). Paragraph 52, however, both in its present form and in the modified version suggested by the Department, imposes, as against the defendants, additional and purely personal and mental tests of patentability. It requires, at the risk of summary proceedings for contempt, *disproof* of both (a) the *prima facie* presumption of "intention of not making commercial

use" when there has not been commercial use within four years and (b) the purpose to use the patent to "block off, fence in, prevent or hinder" others. These new requirements make the test of patentability a question of "intent".

These mental tests call to mind the observation of Mr. Justice Jackson in *Mercoid Corporation* v. *Mid-Continent Investment Co.*, 320 U. S. 661, that

> "The less legal rights depend on someone's state of mind, the better" (p. 680).

Intent to make commercial use: That observation of Mr. Justice Jackson is particularly pertinent with respect to the requirement of the Paragraph that an intent to use be *affirmatively proven* where an invention is not used within four years. For at the time of filing a patent application there normally is, and can be, no precise mental determination, one way or the other, on the part of the inventor to make "commercial use". It is, as the court admitted in the *Special Equipment* case, "impossible to guess the utility or commercial success of any patent * * *." In other words, one never knows when an invention will become useful. That is particularly true in the research laboratories of such corporate defendants as Hartford, Corning, Owens or Hazel-Atlas. When an invention is made which may by some possibility have future use, the inventor, to protect himself and his own invention, must apply for a patent. He must seek a patent even if, at the time of the invention, it appears improbable or even impossible that the invention will ever be commercially used.

Many of the most important inventions have lacked commercial significance for periods much longer than the four years prescribed by Paragraph 52. Indeed, in many cases revolutionary inventions have been thought for years to be completely worthless; thus Edison refused to be diverted

from his important work on the phonograph when he hit upon the "toy" of an embryonic vacuum tube. To require, as does Paragraph 52 of the decree, affirmative evidence of intention to use commercially, in order to overcome a hindsight presumption to the contrary, is to make a legal right depend on a "state of mind" which normally does not exist, which must be found to have existed at least four years before the contempt proceeding, and which because of the unrealistic presumption will generally be incapable of proof.

Paragraph 52(b) places the defendants in an extremely difficult position. If they are to avoid being cited for contempt, their only alternative is to withhold filing of all applications on glass making machines and processes until they are sure that commercial use is about to commence. In so doing they run the risk of losing all patent protection on their inventions and of finding them patented by others who are not under a similar disability.

Paragraph 52 introduces further ambiguities in speaking of an intention to make "commercial use" and of "failure to make commercial use within four years". What degree of use of an invention is "commercial"? When does use cease to be experimental and become "commercial"? Is the test the same as, or different from, that used in determining whether there has been "public use" for more than one year? Are the standards of "commercial use" the same for one invention as another, for a basic invention as for an improvement invention? Must the commercial use continue indefinitely? What would be the effect of commercialization within the four years followed by abandonment thereof?

Intent to block: The observation of Mr. Justice Jackson with respect to the dangers of mental tests is also pertinent to the second of the purported evil states of mind which would subject a defendant to a contempt proceeding under

Paragraph 52, i. e., a purpose to use the patent "to block off, fence in, prevent or hinder" others. For the purpose, and the *only* purpose in law, of every application for a patent is, as has already been stressed, to "prevent" or "hinder" all others from appropriating the applicant's invention. That is all a patent does or is intended to do. The disjunctive addition of the essentially ambiguous words "block off" and "fence in" serve only as incantations to add "atmosphere". Paragraph 52 is thereby effective to prevent the defendants from filing on any invention relating to the glassware-making art so long as they have the normal objectives of all applicants for patents.

Paragraph 52, like Paragraph 51, encourages the defendants to keep secret their developments in the art of glassware making. In order to keep abreast of a rapidly evolving art in a highly competitive industry, it is necessary for a manufacturer to explore the possibility of new developments. Typically, that research will be directed, to use the language of Paragraph 52, toward the discovery of new or improved "machines, methods, means or processes" obtaining "identical, similar or alternative" results. If, in that experimentation, he makes a discovery, he should not be barred from patenting it as anyone else is authorized to do, even though he may, rightly or wrongly, believe at the time he applies for a patent that the margin of advantage reasonably to be expected from his invention will not absorb the cost of converting plant and equipment and training labor to its use. Nor should he be barred from patenting it because it may "block off" or "fence in" an invention patented by someone else. No competitor can preempt a field of future development against other competitors—as miners preempt bodies of unworked ore. Moreover, in practice, different fields so intermingle and overlap that it would be impossible for

a defendant to determine, at the peril of summary contempt proceedings, whether his invention, if patented, might prevent a competitor from improving an invention previously patented by that defendant.

To forbid the defendants their rights under the Constitution and the patent laws in the manner contemplated in Paragraph 52 is to put a premium on their keeping their inventions secret and refusing to add them to the fund of knowledge available to workers in the field. As one of the outstanding inventors in the field of applied chemistry recently stated:

> "* * * Probably the most serious effect the emasculation of our patent system would have on the future of research would be to encourage the use of secret processes. This would be highly unfortunate, since one of the principal factors in the rapid advance of science and technology in the past 30 years has been the practical elimination of the secret process in favor of full disclosure and patenting as the preferable method of protecting one's rights and interests in his invention. If we take away a large part of the reward for disclosure, the tendency to revert to the dark ages of secret processes would be inescapable. The loss to our country would not be merely that due to the absence of competitive use of new processes, but even more in the slowing down of the exchange of basic information and new ideas * * *. Modern industry based on applied science is a great cooperative affair which cannot thrive in a world ruled by secrecy. * * *.
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> " * * * Even though the attempt at secrecy might usually fail within a few years, the cumulative effect of the loss of time between successive improvements would tremendously retard our progress." Robert E. Wilson, Research and Patents, reprinted

in Barnett, Patent Property and the Anti-Monopoly Laws (1943), 537, 559-60.

Deletion necessary.

Paragraph 52 should be totally deleted.

No mental tests of any nature should be superimposed upon the present statutory tests for obtaining a patent. No inventor, regardless of his motives, should be barred from taking out a patent on a bona fide new discovery.

The public gains by the disclosure of the patented invention regardless of the personal thoughts of the inventor. The *disclosure* of new inventions is the aim and purpose of the patent laws, not the supervision of the mental processes of patent applicants.

Congress has often been asked to amend the patent laws to add "mental" and "use" tests, but has uniformly refused to do so. Thus legislation has been proposed either to impose a forfeiture, H. R. 13876, 62nd Cong., 1st Sess. (1911); H. R. 22203, 62nd Cong., 2nd Sess. (1912); S. 3297, 67th Cong., 2nd Sess. (1922); H. R. 6864, 75th Cong., 1st Sess. (1937), or to compel compulsory licensing, S. 3325, 67th Cong., 2nd Sess. (1922); S. 3474, 69th Cong., 1st Sess. (1926); S. 705, 70th Cong., 1st Sess. (1927); S. 203, 71st Cong., 1st Sess. (1929); S. 22, 72nd Cong., 1st Sess. (1931); S. 290, 73rd Cong., 1st Sess. (1933); S. 383, 74th Cong., 1st Sess. (1935); S. 2491, 77th Cong., 2nd Sess. (1942), of a patent which is not "worked" for a specific period. It has uniformly failed to pass.

These tests have likewise been strongly opposed by the Patent Office. Assistant Commissioner of Patents Conder C. Henry, in an address delivered on January 20, 1943, before the Pittsburgh Patent Law Association, emphatically declared that:

"The Constitutional provision is:

'The Congress shall have power * * * to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.' (Art. I, sec. 8, of the Constitution).

"It will thus be seen that the fundamental national policy with respect to patents is that Congress (not the inventor) is authorized to 'promote the progress of science and useful arts' and that it does so by the grant of patents. There is nothing said about what the patentee shall do with his patent. Certainly, there is no duty placed upon him by the Constitution to do anything with it. Public policy *in this respect* is concerned with the knowledge to be gained from the patent, and not with the patentee's acts subsequent to receiving it".

Any such radical changes in the patent laws were likewise rejected by the National Patent Planning Commission appointed by the President (House Doc. No. 239, 78th Cong., 1st Sess.).

If the patent laws, contrary to the expressed views of Congress, the Patent Office and of the President's National Patent Planning Commission, are to be radically revamped to compel compulsory working of patents, it is, as Mr. Justice Frankfurter suggested:

"* * * the business of Congress to do the revamping. We have neither constitutional authority nor scientific competence for the task" *Marconi Wireless Telegraph Co. of America* v. *United States*, 320 U. S. 1, 64.

The determination of whether the unqualified right to exclude for 17 years presently afforded by our patent system is too high a price to pay inventors as an incentive for publication of their inventions involves questions of

economics, psychology and technology in many fields of endeavor in respect of which abstract reasoning and popular preconceptions are peculiarly fallible. It is not a determination which can be made with a proper consideration of its economic consequences, if it is done in piecemeal fashion by judicial legislation. It is particularly inappropriate to attempt in an anti-trust case to revise a basic principle of our patent law through the medium of enacting, in the form of a judgment, a special patent law applicable only to a part of a single industry on the ground that one member of that industry prior to 1930 allegedly filed applications for patents to "prevent or hinder" others.

(Pars. 53-54: Prohibition of Normal Patent Practices.)

Paragraphs 53 and 54* (R. X, 7688-90) perpetually enjoin all of the defendants, corporate and individual, other than the GCA defendants, from engaging in specified practices in connection with patent procedure.

Rewriting of Patent Office rules.

The patent statutes delegate to the Commissioner of Patents the function of establishing regulations for proceedings in the Patent Office, including those involving applications for patents (35 U. S. C. §§6, 36).

Paragraphs 53-54, however, have rewritten the Patent Office regulations. Under the purported authority of the Sherman Act, new rules—entirely dissociated from any anti-trust violations—have been laid down in this test case to be "guides" for all businessmen (D. of J. Release, December 11, 1939, C. C. H. Trade Reg. Serv., 8th Ed., Par. 17,035, p. 23,357), although here directly binding only on the defendants.

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* See pages 41-44 of defendants' reprint of the judgment.

The Paragraphs purport to be directed against alleged cooperative action of Hartford and Owens in procuring patents between 1924 and 1932, the Government conceding that all such cooperative action ceased on the latter date (Government original brief, p. 61, fn. 97). The complaint contains no charge, and the record contains no evidence, that any of the other defendants ever engaged in any of the enjoined practices.

Sub-paragraph 53(a) commences by enjoining agreements by one defendant with any other person to obtain from the Patent Office "dominating patents * * * for the purpose of giving such defendant * * * patent control of glass making machinery or of glassware".

It is axiomatic that the only purpose for which any defendant or any other party would apply for a patent on an invention would be to obtain as dominant and as controlling a patent as possible. As lucidly stated in *United States* v. *Motion Picture Patents Co.*, 225 Fed. 800 (E. D. Pa.), appeal dismissed 247 U. S. 524:

> "His [the patentee's] patented article may be so superior, or of such less cost than anything else upon the market, so as to supplant all others and give to him the whole trade as effectually as if his patented article has originally had the field to itself. Indeed, *its ownership may be sought, for the reason that it has this possibility of power*" (p. 806).

The effect of the Sub-paragraph, therefore, is to bar all agreements by a defendant with any other person to obtain any worthwhile patent. The more worthwhile the invention disclosed and sought—*i. e.*, the more dominant and controlling—the greater the illegality in the agreement.

This of course would prevent any cooperative research between a defendant and anyone else whereby inventions

are made and patents applied for—by which alone can the cost of research and development be recovered.

It would also prevent an agreement to settle an interference in the Patent Office and permit the resulting issue of a dominant patent—thereby compelling futile and costly litigation in the Patent Office and in the courts.

Sub-paragraphs 53(b) and (c) next enjoin the defendants from agreeing with anyone to refrain from disclosing to the Patent Office specified facts.

Defendants would not object to such regulations if they were issued by the Patent Office and were of general application. We deny their propriety, however, in an anti-trust action—particularly since the Patent Office, which has the power to issue such a rule, for reasons of its own has never issued it.

Sub-paragraph 53(d) enjoins the defendants from agreeing with anyone to transfer conflicting claims from one patent application to another—

(1) By "negotiation", or

(2) By "arbitration" without disclosing the facts of the "arbitration".

The initial unconditional prohibition of all settlement of patent interferences by "negotiation"—here sought to be achieved—boldly overrules the long line of decisions by the federal courts that such settlements are not only lawful but highly desirable in the public interest.

Mr. Justice Brandeis, for example, in *Standard Oil Company* v. *United States*, 283 U. S. 163, unequivocally declared that:

> "Where there are legitimately conflicting claims or threatened interferences, a settlement by agreement, rather than litigation, is not precluded by the Act" (p. 171).

The prohibition also sets aside the rules of the Patent Office. These rules expressly provide for the settlement of interferences by negotiation. See e.g. Rule 125.

A transfer of claims from one patent application to another by negotiation, it should be noted, is futile unless the transferee is the real and first inventor of what the claims cover. This in itself is sufficient to insure that negotiations in most instances will fairly and accurately settle the patent disputes involved.

The further requirement for disclosure of the facts of an "arbitration"—set forth in this Sub-paragraph—is objectionable because not issued by the Patent Office. The Patent Office does not require, and presumably does not want, such unusual disclosure. Perhaps this would be a good rule for it to adopt, but if so, it should apply to all applicants—not only to the defendants.

Sub-paragraph 53(e) enjoins the defendants from agreeing with anyone to disclose "regularly or periodically" their patent applications or information about the unpatented inventions they own or control, except in connection with licenses, and except that "scientific information may be exchanged in the regular course of business".

But defendants should be able to disclose to anyone patent applications, information about unpatented inventions and scientific information—except to violate the antitrust laws. This is conceded by the qualifications, which are senseless. Why is it right to disclose patent applications and information about unpatented inventions occasionally, but not "regularly or periodically"? Why is it right to disclose such things to defendants' licensees, and not to those who are contemplating but have not yet taken —or to those who do not want—licenses from defendants? And there is often no difference between "information

about the unpatented inventions" and "scientific information"—scientific information frequently consists of or leads to inventions. Indeed disclosures of the sort here prohibited tend to increase, not to restrain, competition.

This Sub-paragraph is so absurdly drawn that it throws doubt on ordinary contracts for engineering services, during which inventions and improvements are made and disclosed. The Sub-paragraph first condemns such a contract by forbidding the "regular" disclosure of "unpatented" inventions and then says that this should not prevent the "regular" disclosure of "scientific" information.

Sub-paragraph 53(f) enjoins the defendants from agreeing with anyone to secure "information concerning pending interferences to which the person, firm or corporation securing the information is not a party".

There is nothing wrong in obtaining information—from proper sources and by legal means—about an interference between two rival patent applicants any more than there is in obtaining information about any litigation. Neither the law nor the Patent Office rules requires a party to an interference to keep information about it confidential. Interferences often develop between issued patents and pending applications. Under such circumstances information concerning the pending interferences is to a limited extent available to the public and may be obtained merely by requesting access to the Patent Office file of the patent involved therein. Why should not such information be obtained from an applicant if he is willing to give it?

There are many situations in which a defendant should be permitted to seek and obtain information concerning pending interferences of others:

(1) Thus the defendant may wish to buy, or obtain a license under, a patent application in inter-

ference. He should not be required to evaluate the patent application in the dark.

(2) Again, the defendant may have facts bearing on a patent application which would prevent the issue of any patent thereon if the Patent Office had knowledge of it. The Patent Office should not thus be denied access to pertinent facts.

(3) Once more, the defendant may be using the invention involved in interference without knowledge that it is the subject matter of any patent claims. He should be able to learn of this interference in order either to oppose the issue of any patent on the invention or to avoid the danger of infringement of any patent issuing thereon by changing his machines or practices.

This Sub-paragraph also forbids securing "information concerning the unpatented inventions of others, except when the person, firm or corporation securing the information is entitled to obtain such information by the Rules of Practice of the United States Patent Office, or by the terms of a license under such inventions". The clause is like clause (e), *supra*, in that it apparently prevents ordinary contracts for engineering services during which inventions and improvements are made and disclosed. Defendants should not be handicapped in keeping abreast with technical advances, as by employing others to work on engineering problems.

Paragraph 53(g) enjoins the defendants from agreeing with anyone "to delay the issuance of any patent for the purpose of avoiding the adverse effect of such patents on the previously issued patents" of agreeing parties.

It is, of course, customary for parties to an interference, as in other litigation, to stipulate extensions of time in which to take testimony, prepare motions, etc. All extensions are under the strict control of the Patent Office and

cannot be obtained without its concurrence. The Patent Office is cooperative in granting these extensions but usually demands a showing as to the need for them. The Examiner of Interferences can and does refuse to grant further extensions when he feels that the parties are unnecessarily dragging out proceedings.

Delay in the Patent Office should not be made the subject of an injunction if it has nothing to do with anti-trust matters.

None of the Sub-paragraphs of Paragraphs 53, it should be noted, is limited to joint action between two or more of the defendants, or to action in restraint of trade. They apply to any single agreement or joint action of a single defendant with any complete stranger to the present case, at any time however remote.

Further rewriting of Patent Office rules.

Paragraph 54 continues this rewriting of Patent Office rules. It characterizes as unlawful "harrassment" an agreement of a defendant with any other person, again even though not a defendant, to do any of the following:

> (a) "simultaneously prosecuting in any interference in the Patent Office a plurality of applications owned or controlled by parties having a common interest therein."

This Sub-paragraph goes beyond the "common ownership" rule of the Patent Office. Where there is "common ownership" of several applications in interference, the Patent Office allows simultaneous prosecution of such applications if it is difficult or impossible for the owner to decide the question of priority, but not otherwise (*Interference Practice,* Rivise & Caeser, Sec. 7; Patent Office Rule 94). Thus simultaneous prosecution may be allowed where the

respective inventors each insists he is prior, and difficult questions of law and fact are involved. The above injunction, however, is an absolute prohibition of "common interest" simultaneous prosecution.

This Sub-paragraph, in effect, would forbid a licensee from prosecuting an interference against a third party merely because his licensor likewise had an application involved in that interference.

This Sub-paragraph would even apply to the typical agreement in patent interferences—encouraged by the courts, *Eck* v. *Kutz*, 132 Fed. 758 (C. C. E.D. Pa.) and *Shoemaker* v. *Merrow*, 61 Fed. 945 (C. C. A. 3rd)— whereby the parties agree that the winner will grant a license to the loser, subject to the payment of predetermined royalties. Such an agreement certainly creates a common interest of the litigants in the issue of the interference; but it is no reason for forbidding further prosecution of the applications of the parties as it is essential to them to have an unbiased determination of priority by the Patent Office in order to insure the validity of the patent ultimately issued. Such practice—by these defendants only—would appear to be precluded by Sub-paragraph 54(a) in its present form.

We submit that it is to the public interest for the Patent Office to decide priority questions in interference proceedings, and the Patent Office should be allowed to do this according to its own practice and rules—as Congress has expressly provided.

(b) "delaying the recordation in the Patent Office of the assignment to" a defendant or some one agreeing with the defendant, of patent applications "in order to retain record title to such applications in diverse hands to permit the prosecution of a plurality of such applications in a single interference".

This relates to the same matter of "common ownership" of applications in interference, and should not be enjoined when it does not affect an anti-trust situation.

Note moreover, that recordation of assignments is by statute merely permissive (35 U. S. C., §47; Rule 183). Prompt recording is required only to insure title against a subsequent purchaser or mortgagee for a valuable consideration without notice (35 U. S. C., §47; Rule 185).

> (c) "filing any 'trap' application for the purpose of provoking an interference between the party filing the application and some other applicant in the Patent Office".

Sub-paragraph 54(c) apparently revokes Patent Office Rule 94 at least so far as the defendants are concerned. This Rule specifically provides for the declaration of interferences between applications for patent and unexpired patents and lays down specific procedure to be followed where the filing date of the application is subsequent to the filing date of the patentee. Under this procedure it is customary for applicants to file applications for the sole purpose of copying claims from issued patents when they believe, and can establish to the satisfaction of the Patent Office, that they had completed the invention themselves prior to the filing date of the patent. This, of course, would be condemned by the Sub-paragraph as a "trap" application designed to "provoke" an interference.

Also, if a manufacturer learns that his competitor has a patent application covering something which one of his own engineers had long ago discovered, he can file an application for his engineer, to "provoke" an interference. Then the Patent Office can decide which was the first inventor, and, if either party raises the question of whether the invention is patentable, can decide whether any patent should issue to

either (Patent Office Rules 127, 130). Obviously, it is to the public interest, as well as that of the second applicant, to have the Patent Office decide these questions.

Again it often happens in the course of business that a research organization will be forced to disclose its new inventions to customers before a patent application is filed thereon. It is by no means uncommon for the customer to think that he has made an invention in the course of his discussions with the inventor and to rush into the Patent Office with an application. In those circumstances it is the obvious procedure for the research organization to file its own application as promptly as possible in the expectation that if the other party does file a similar application, the Patent Office will declare an interference and it will be possible to determine who is in fact the first inventor.

The expression "'trap' application" occurs in the trial court's finding of fact 191 (R. X, 7318), stating that two defendants had an agreement enabling "them to cooperate for the purpose of planting 'trap' applications against others in the Patent Office (Exs. 1675, 1748)". Those exhibits are 1924 letters from one of these defendant's patent attorney (R. V, 3880, R. XXII, 14100A and R. VI, 4025, R. XXII, 14231), in which this expression was used, and the trial court apparently concluded that the "'trap' applications" referred to were in furtherance of a conspiracy to violate the anti-trust laws. The court completely overlooked the fact that on further consideration the parties here decided not to file any such "'trap' applications" (R. VI, 4062-3).

The test of whether filing an application is lawful or not should not be the doubtful meaning of an expression in 1924 letters—a thought of 20 years ago—which never materialized into fact.

(d) "conducting or prolonging friendly interferences not for the purpose of genuinely litigating the issues therein involved, but only for the purpose of retaining in the Patent Office the applications in interference as a means of provoking interference with other applications".

The Patent Office has at the present time full power to demand a showing of facts from interfering applicants, where delays occur, and to take corrective action on the basis thereof. The Examiner of Interferences in fact frequently takes such action where he deems this proper.

This Sub-paragraph is another attempt to usurp Patent Office functions. The defendants freely concede the salutary principle expressed by the Sub-paragraph as one which the Patent Office should follow, but believe that an even more salutary principle is that Patent Office rules should issue from the Patent Office.

Deletion or modification necessary.

Congress has delegated to the Patent Office the function of issuing rules and regulations relating to, and of superintending:

"• • • the granting and issuing of patents" (35 U. S. C. §6).

Congress has been willing to expand or contract the authority thus delegated to the Patent Office, where proper need is shown therefor. Thus, in answer to TNEC criticism of patent practices permitted by the Patent Office (see e. g. TNEC Hearings, Part 3, p. 854), Congress enacted five bills remedying delays and other patent abuses (Public Acts 286, 287, 288, 341 and 358, approved August 5-7, 1939).

If wholesale revision of Patent Office procedure is to be undertaken, as contemplated by Paragraphs 53-54, obviously

it should be undertaken either by Congress or by its duly authorized agent, the Patent Office.

The ruling of this Court in *Chapman* v. *Wintroath*, 252 U. S. 126, we submit, is controlling:

> "* * * [a patent applicant's] rights may not be denied or diminished on the ground that such delay may have been prejudicial to either public or private interests. 'A party seeking a right under the patent statutes may avail himself of all their provisions, and the courts may not deny him the benefit of a single one. These are questions not of natural but of purely statutory right * * *'" (pp. 136-7).

Paragraphs 53-54, accordingly, should be deleted.

In the event, however, that modification rather than deletion is sought, the provisions of the Paragraphs should at least be limited to violations of the anti-trust laws, and to these violations only, as follows:

In the first place, as the defendants other than Hartford and Owens have not been shown ever to have engaged in any of the practices listed in these Paragraphs, they should be deleted entirely therefrom. They should not be required to answer for what they have not done.

In the second place, in so far as Hartford and Owens are found to have engaged in the practices listed in the Paragraphs—pursuant to an alleged conspiracy in violation of the anti-trust laws—the practices admittedly ceased more than twelve years ago (Government original brief, p. 61, ft. 97). If in the light of this long abandonment these defendants nevertheless are to be subjected to some injunction, they should at most be enjoined from a repetition of such practices, but only as part of or pursuant to such conspiracy.

In other respects the Patent Office should be permitted to deal with the individual acts and practices of the defendants in accordance with its Patent Office rules.

Enforcement of Judgment.

(Par. 55: Perpetual Surveillance by Department.)

Paragraph 55* (R. X, 7690-1) subjects the corporate defendants to perpetual surveillance from the Department of Justice.

Unreasonable searches and seizures.

The Paragraph provides that, for the purpose of securing compliance with the judgment provisions and subject only to "legally recognized privilege", the corporate defendants are to be exposed:

1. To the examination of all their books and papers by the Department of Justice—in perpetuity;
2. To the interviewing of their officers and employees by the Department of Justice—in perpetuity;
3. To the requirement that they must submit reports to the Department of Justice—in perpetuity.

Accordingly the attorneys, from time to time, of the Department of Justice—in complete disregard of the constitutional prohibition against unreasonable searches and seizures—in the guise of seeing whether the judgment is being carried out may in perpetuity ransack every paper in the possession of any of these corporate defendants.

Modification necessary.

This Court has condemned in the strongest language any such unrestricted right of investigation into the affairs of a private corporation—whether guilty or innocent of an alleged infraction of the law:

Go-Bart Importing Co. v. *United States,* 282 U. S. 344 (1931):

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* See pages 44-45 of defendants' reprint of the judgment.

> "• • • [The Fourth Amendment to the Constitution] • • • is general and forbids every search that is unreasonable; it protects all, those suspected or known to be offenders as well as the innocent" (p. 357).

Federal Trade Commission v. *American Tobacco Company*, 264 U. S. 298:

> "It is contrary to the first principles of justice to allow a search through all the respondents' records, relevant or irrelevant, in the hope that something will turn up" (p. 306).

Paragraph 55, to conform to these decisions, should be modified in two particulars.

First, it should be limited in point of time. The Department is entitled to adequate powers of investigation to determine that this judgment—if approved in some form—is properly carried out. This Court in *United States* v. *Bausch & Lomb Optical Company*, 321 U. S. 707, so ruled. But once the Department has satisfied itself that the judgment is being respected and a reasonable interim has elapsed, we submit that the defendants should be released of disabilities which are not the common burden of all persons. No one should be permanently deprived of the protection of the constitutional provisions against unreasonable searches and seizures.

Second, the vague obligation to submit reports should be deleted under this Court's ruling in this same *Bausch* case. Departmental examination of files under reasonable limitations is one thing, Departmental requirement of reports on any and all subjects suggested by the judgment is another. As this Court observed in the *Bausch* case, the requirement of submitting reports:

> "• • • is too indefinite for judicial enforcement and therefore improper" (p. 728).

(Par. 56: Future Giving of Notices.)

Paragraph 56* (R. X, 7691) provides for the giving of notices pursuant to this judgment.

If a judgment other than of dismissal is to be entered, no objection is made by defendants to this Paragraph.

(Par. 57: Future Reopening of Judgment.)

Paragraph 57** (R. X, 7691-2) provides, in effect, that the judgment herein shall not be final.

Lack of finality in judgment.

The Paragraph in part provides that the lower court retains jurisdiction to carry out or modify provisions of the judgment. If a judgment other than of dismissal is to be entered, no proper objection can be made to this.

The Paragraph, however, provides further that the Attorney General may at any time decide that the judgment is a "failure" and—without showing any change of conditions from those here litigated—may apply for modification of the judgment.

Modification necessary.

This Court has repeatedly ruled that a validly entered decree, whether entered by consent or otherwise, is binding upon all parties.

It may not be changed, it was held in *United States* v. *Swift & Co.*, 286 U. S. 106, without a showing of changed conditions:

> "The injunction, whether right or wrong, is not subject to impeachment in its application to the conditions that existed at its making" (p. 119).

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* See page 45 of defendants' reprint of the judgment.

** *Id.* pages 45-46.

This is true whether the application for change comes from the Department or from a private party.

United States v. *International Harvester Co.*, 274 U. S. 693.

If a judgment were subject to change at any time, merely because one party became dissatisfied with it, there never would be any certainty in a judgment nor any end of litigation. The same issues would be endlessly reopened upon the same facts. Neither the Department nor private parties would be able to plan for the future—the defendants in particular having no certainty of status on which they could rely in making business commitments.

In the present case, the defendants' status under the judgment should first be made clear, in the manner indicated in the discussion of the prior paragraphs. This status should then be protected from the changing views of each new Attorney General. Cf. *International Harvester Company* v. *Commonwealth of Kentucky*, 234 U. S. 216, 223-4. The Paragraph accordingly should be modified to delete the right of the Attorney General at any time to notify the court that in his opinion the judgment is a "failure" and—without any showing of new facts presenting changed conditions—to apply for different relief.

The remainder of the Paragraph, with its retention of jurisdiction in the court to enforce or modify the judgment should be adequate to provide all desired flexibility in the judgment.

(Par. 58: Inadequate Stay of Judgment.)

Paragraph 58* (R. X, 7692) grants limited stays of certain of the provisions of this judgment.

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* See page 46 of defendants' reprint of the judgment.

Inadequate nature of stay.

The Paragraph limits its stay of the provisions of the judgment—to the extent any stay is granted—to sixty days from the date of the judgment rather than sixty days from the date of the judgment entered after appeal to this Court.

A temporary stay pending appeal was subsequently granted, but this stay is to end upon the "final determination" of these appeals (See Orders of Stay, R. X, 7745, 7777, etc.)

Further stay sought.

If this judgment in any form is entered herein, it is submitted that the minimum relief necessary would be to stay this judgment until sixty days after its entry below, following receipt of the mandate of this Court.

(Par. 59: Inequitable Assessment of Costs.)

Paragraph 59* (R. X, 7692) authorizes the plaintiff to recover of the defendants all costs of this suit.

Attempt to change the law.

The Department in bringing this suit sought frankly to change the law. Its TNEC recommendations had failed of Congressional action and accordingly it took the judicial route as a legislative alternative.

The Assistant Attorney General in charge of the Anti-Trust Division, we have previously pointed out, openly conceded that the Department was attacking licensing practices approved by the Supreme Court (Final Report of the TNEC, Sen. Doc. No. 35, 77th Cong., 1st Sess.):

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* See page 46 of defendants' reprint of the judgment.

"In the *Glass Container* case, the *Hartford Empire* case, we * * * thought that there was a case where we were asking them to give up certain restrictions which *apparently were approved by the two cases decided by the Supreme Court*" (p. 115).

Modification necessary.

If the Department had been content with any reasonable decree there would have been no trial or appeal.

The defendants conscientiously sought to meet the objections of the Department. License provisions, although valid under this Court's decisions, were voluntarily dropped. Practices long considered normal and proper were discontinued.

The Department nevertheless, seeking even more drastic changes in the law than were voluntarily acquiesced in by all defendants, pursued this suit to the bitter end.

Under these circumstances it seems highly inequitable to assess all costs upon the defendants. If plaintiff had been content with the anti-trust laws as they now stand, the trial below and the present appeal would not have been necessary and the costs involved would have been saved.

The Paragraph should be modified to require plaintiff on the one hand and corporate defendants on the other hand to bear their own costs.

(Par. 60: Dismissal of Miscellaneous Defendants.)

Paragraph 60* (R. X, 7692) provides for the dismissal of the complaint as to certain defendants.

No objection is raised to this Paragraph.

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* See page 46 of defendants' reprint of the judgment.

CONCLUSION.*

Extraordinary scope of judgment.

This judgment undoubtedly is the most extraordinary judgment ever entered in the history of the anti-trust laws.

The following recapitulation is illuminating:

First: The judgment has been recklessly drafted in overly broad terms:

(a) The definition of the judgment have been so loosely phrased as to include a multitude of glassware items (¶1(A)-(C)), corporations (¶1(D)), and machines (¶1(F)-(M)), in no wise involved in this case (¶1, R. X, 7654-7).

(b) These definitions, by controlling the scope of the subsequent provisions of the judgment, extend the provisions and subject matter of the judgment in indiscriminate fashion to all of the defendants, regardless of their varying capacities and participations or non-participations in the events of this suit (¶1, R. X, 7654-7).

(c) The adjudications are similarly phrased in sweeping language, so as to adjudicate corporate defendants of conduct for which they were not responsible, and to hold each individual defendant personally liable for all the actions of all the corporate defendants (¶¶3-8, R. X, 7657-60).

(d) Activities in foreign trade and in foreign countries are regulated, although the findings and conclusions below do not charge anti-trust violations abroad (R. X, 7277, *et seq.*).

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* The errors of the judgment here summarized, of course, are not attacked by all defendants, for all have not assigned error thereto. See pages 2 and 20 and the Appendix herein. For example, the appellants other than the Hartford appellants—such as the Thatcher and Ball appellants—have not specifically assigned error to ¶¶10-20 inclusive, ¶15 and ¶22, and accordingly do not join in this conclusion in so far as it discusses or relates to these Paragraphs.

(e) Activities involving unpatented machines (¶21, R. X, 7665-6) and non-glassware products (¶29, R. X, 7672-3) are included, although nothing in this case justifies their inclusion.

(f) The provisions of the judgment providing for the rigid control of patents have been applied to the non-container patents of the non-container defendant (¶24, R. X, 7667-8), although these patents never contributed to the situation which those provisions are designed to remedy.

(g) Restraints purportedly dealing with trade association activities are drafted so as to curtail drastically many normal business activities having no connection with any trade association (¶40, R. X, 7680-2).

(h) Defendants furthermore are broadly enjoined from engaging in all practices having a "tendency" to continue or revive any of the violations "charged", whether accurately or not, in the 71 printed pages of the Government complaint (¶9, R. X, 7660-1)—although in numerous instances hereinbefore pointed out many of them have never engaged in any of such practices.

Second: Sweeping confiscatory provisions have been applied to the defendants, individual as well as corporate, and with respect to their separate activities:

(a) All settlement and license contracts—lawful or unlawful—are cancelled unconditionally (¶¶27-28, R. X, 7670-2).

(b) Existing patents are forfeited and become community property—through the expedient of requiring royalty-free licenses to all applicants until their expiration. This wipes out many decades of research (¶24(a), R. X, 7667-8).

(c) Future patents—patents yet unborn—are forfeited to the extent that their exclusive character is

destroyed. They are subjected to compulsory licensing to all comers, in perpetuity, at royalties to be fixed by the court (¶24(b), R. X, 7667-8).

(d) Machines—of great value—are forfeited—through the expedient of requiring their sale on confiscatory terms (¶22, R. X, 7666).

(e) A licensor's business is seized by a receiver for indefinite operation (¶¶10-20, R. 7661-5) and its income confiscated (¶15, R. 7663-4).

(f) The licensor's capital also is forfeited—through the direction to the receiver to operate the company out of capital—resulting in a dissipation of capital assets at the rate of over $100,000 a month—over $1,200,000 a year (R. Op. Vol. 157; Judgment, ¶¶11 and 15, R. X, 7661-4; Affidavit of F. Goodwin Smith, R. X, 7581).

(g) Several defendants are also subjected to large monetary fines (¶¶44-46, R. X, 7683-4).

Third: In so far as defendants engage hereafter in the business of selling either glass machinery or glassware, they are, individually, subjected to unusual rigidities of prices and terms of sale of a public utility nature—subject to the constant supervision of the court—as follows:

(a) They must license their machine and method patents to everyone on identical terms (¶¶24(b) and 29(f), R. X, 7667-8, 7672-3).

(b) They must sell machinery to everyone—if they sell at all—without discrimination in any manner as to prices or terms, and without the right to select their customers (¶¶23 and 25, R. X, 7666-7, 7668-9).

(c) They must supply drawings and patterns of their machines to every licensee—which means anyone who may apply (¶24(c), R. X, 7667-8).

(d) Similarly, in the sale of glassware, embodying any patented invention, they must not discriminate in the slightest manner between purchasers (¶29(f), R. X, 7672-3).

(e) This obligation is extended beyond the fields of glass machinery and glassware to any machine or product *of any nature whatsoever*—which embodies a patented invention (¶29(f), R. X, 7672-3).

Fourth: Each defendant is further deprived—absolutely—of the liberty to use any of the following normal and reasonable methods of carrying on business:

(a) To issue any limited licenses under machine and process patents (¶29(a), R. X, 7672);

(b) To lease any glassware machinery (¶21, R. X, 7665-6);

(c) To acquire or hold any stocks, bonds or assets of any other glass company or machinery company, even though the conditions are such that competition would not in any degree be affected (¶¶33, 36, R. X, 7674-5, 7677-8);

(d) To disclose to distributors or customers any cost statistics or other data in normal business activities (¶40, R. X, 7680-2);

(e) To acquire, even by his own invention, normal patent rights upon any invention in a field in which the acquiring defendant already has a patent (¶51-52, R. X, 7686-7); and

(f) To utilize normal, necessary and statutory Patent Office procedures (¶¶53-54, R. X, 7688-90).

Fifth: The trade association of the container industry has effectively been dissolved:

(a) It is denied any statistical committee to perform its statistical work (¶37, R. X, 7678-9).

(b) It is deprived of its present management (¶38, R. X, 7679).

(c) It is divorced from 74% of the industry (¶39, R. X, 7679-80).

(d) It is forbidden to indulge in normal trade association activities (¶40, R. X, 7680-2).

Sixth: The defendants Collins, Fulton, Fisher and Dilworth are subjected to the same restraints as those to which all the other individual and corporate defendants are subjected, although the corporation (Anchor-Hocking) of which they were officers and directors, and through which the Government charges in its complaint they participated in the alleged unlawful conspiracy, has been found not to have been a party to any such conspiracy, and has been dismissed from the case without any appeal by the Government from the judgment of dismissal.

Finally: The lower court—and this Court on appeal—are burdened with incredible administrative tasks:

(a) Operation of a business (¶¶10-20, R. X, 7661-5).

(b) Valuation of services to licensees (¶15, R. X, 7663-4).

(c) Valuation of physical property (¶22, R. X, 7666).

(d) Determination of reasonable prices (¶23, R. X, 7666-7).

(e) Determination of reasonable royalties (¶24(b), R. X, 7667-8).

(f) Determination of costs and fair profits (¶24(c), R. X, 7667-8).

(g) Determination of non-discriminatory terms (¶¶23, 25 and 29(f), R. X, 7666-9, 7672-3).

(h) Approval of all future contracts (¶31, R. X, 7673-4).

(i) Approval of all future trade association managements (¶38, R. X, 7679).

All these extraordinary provisions are to extend in perpetuity against each of the several defendants, irrespective of the nature of its or his participation in the alleged illegal plan, and indeed, irrespective of the fact that as to many of the individual defendants there is no evidence of any such participation. And this is despite the concession of the Department before the decree was entered that "of course, since October 7, 1940, the fields have been thrown wide open" (Fol. 3695), and the concessions in its original brief in this Court that "it is not to be presumed" that it will take many years before "violations of the Anti-trust Law have ceased • • • and no reasonable probability remains that the practices found to be illegal will be resumed" (p. 408). Indeed, the Department impliedly recognizes the impropriety of the decree when it says: "if • • • a free and competitive industry comes into existence • • • these limitations should then be lifted or modified" (p. 329, fn. 81). By the Department's admission above-quoted (Fol. 3695), "a free and competitive industry" had come into existence even before the entry of this punitive judgment, and has now been in existence for more than four years.

Conceded errors in judgment.

The Department—although it drafted the judgment word for word—has itself expressly conceded in its previous brief that the judgment in its present form cannot stand.

In general: The Department initially agrees to the elimination of one Paragraph of the judgment (Government original brief, p. 328). It further admits that three other Paragraphs must be changed (pp. 327-8 and letter of August 5, 1944 from Assistant Attorney General Wendell Berge). It also consents to the modification in "several instances" of additional Paragraphs (p. 328) and concedes generally that the "in perpetuity" Paragraphs of the judgment should at some time be lifted or modified (p. 329).

¶5. *Adjudication of monopoly:* The Department consents to the immediate modification of Paragraph 5 (p. 327).

¶9. *Enjoining acts alleged in complaint:* The Department concedes that Paragraph 9—shown by us to be in flat violation of Section 19 of the Clayton Act and Section 65(d) of the Federal Rules of Civil Procedure—should be deleted (p. 328).

¶¶10-20. *Receivership of Hartford:* The Department "presumes" that the receiver, who has seized the management of Hartford, is not to continue in possession for an indefinitely long period (p. 408). The Department obviously is willing to have the receivership Paragraphs modified to provide this.

¶15. *Confiscation of income:* The Department concedes that Hartford's capital should not be impaired (Transcript of November, 1943, Argument, p. 353) and makes other concessions in its brief as well (p. 409).

¶21. *Prohibition of leasing:* The Department concedes that "isolated" leasing should not be prohibited by this Paragraph (p. 374).

¶22. *Confiscation of machinery:* The Department concedes that Hartford's machines should not be confiscated without compensation under Paragraph 22 (p. 375).

¶¶23 and 25. *Rigid machine prices:* The Department concedes that the anti-discrimination provisions of Paragraphs 23 and 25 should not prevent "changes in prices" to reflect costs and other conditions (pp. 374-5).

¶24(b). *Compulsory licensing of future patents:* The Department at first argues that its TNEC recommendations for compulsory licensing should be imposed on all future patents—however distant and unconnected with the events here complained of. It assumes that the defendants have a perpetual monopoly on creative thought and will "control the future". The Department winds up, however, by conceding that compulsory licensing should be ended eventually when competitive conditions exist (pp. 363-5).

¶24(c). *Compulsory disclosure of trade secrets:* The Department, having drafted Paragraph 24(c) to include all drawings and patterns without qualification, now concedes that it should be limited to commercial models and should not cover trade secrets (p. 341).

¶26. *Prohibition of litigation:* The Department concedes that Hartford should not be helpless in the event that others take advantage of the prohibition of Paragraph 26 against bringing suit (p. 361).

¶29. *Prohibition of price differentials:* The Department suggests a modification of the Paragraph to limit its scope (Letter of August 5, 1944, from Assistant Attorney General Wendell Berge) and an "interpretation" to conform Subdivision (f) thereof to certain of the qualifications of the Robinson-Patman Act (p. 381).

¶31. *Judicial management of business:* The Department concedes that Paragraph 31 should be modified so that the court below and this Court on direct appeal should not have to approve, in perpetuity, all contracts entered into between the defendants (pp. 385-7). The Government however continues to insist upon such judicial review of all prices, rates and terms charged by each and every defendant in dealing with future machines, patents, patterns, drawings and patented articles (see Paragraphs 22-24 and 29).

¶¶33 and 36. *Holdings in glass companies:* The Department concedes that the words "evidences of indebtedness" should be limited in its meaning to securities (p. 400).

¶¶37-39. *Trade association:* The Department concedes that Paragraph 37 should not forbid all statistical committees of the trade association (p. 393).

¶40. *Prohibition of cooperative collection of trade data:* The Department attempts to defend its prohibition of almost all types of cooperative collection of trade data—and then suggests "reasonable" interpretations which presumably it would consent to being read into the Paragraph (pp. 394-7).

¶¶44-46. *Impounding of monies:* The Department has no clear thoughts on what should be done with these monies (pp. 409-414).

¶¶51-54. *Patent Office practices:* The Department suggests a modification of Paragraph 52(b) which is as fundamentally unsound as the Paragraph in its present form (p. 328).

The Department, we wish to emphasize, while conceding error in its Department-drafted judgment, has suggested

entirely inadequate revisions of that document—as we have previously demonstrated at length.

Suggested alternative to judgment.

This Court—if it believes that the instant judgment in some form should be entered against some or all of the defendants—may wish to redraft its intricate and highly novel provisions while retaining its present framework, or may prefer instead to refer the judgment back to the District Court for action in accordance with general principles determined by this Court.

An alternative, however, is available to the Court.

Practices illegal per se: The Court might first determine whether any practices engaged in by the defendants were *per se* violations of the anti-trust laws. The defendants—in so far as and in the capacities engaging in those violations—would then be enjoined from repetition thereof.

Practices legal per se: The Court might next determine whether any practices engaged in by the defendants—*per se* lawful—were part of a conspiracy in violation of the anti-trust laws. The defendants—in so far as and in the capacities engaging in those violations—would then be enjoined from future repetition thereof as part of such a conspiracy.

Aggregation of patents: The Court might finally determine whether Hartford has an unlawful aggregation of patents. If the Court so finds, the following might be ordered:

(1) *Hartford's patents on Hartford's own inventions:* Hartford is not charged with obtaining patents—on its own inventions—except where Hartford originated the inventions and satisfied the requirements of the patent laws as to patentability (Stip. R. VIII, 5635). Hartford therefore

should be permitted to retain its patents on its own inventions.

(2) *Hartford's patents acquired from others:* Hartford is charged with unlawful acquisition of patents from others. If this charge is sustained, Hartford might appropriately be ordered to dispose of—for reasonable compensation—all patents which this Court should determine were unlawfully acquired, retaining mere non-exclusive licenses thereunder to avoid patent deadlocks. (In an effort to settle this litigation Hartford previously offered to go further and dedicate to the public its patents acquired from others; but the Government was not interested in this offer.)

(3) *Hartford's exclusive rights acquired from others:* Hartford is charged with unlawful acquisitions of exclusive rights under patents of others. These rights have been voluntarily surrendered. Hartford might appropriately be enjoined from reacquisition of those exclusive rights.

The present judgment—containing provisions inconsistent with or additional to this proposed alternative judgment—would be unnecessary and could be set aside.

This alternative judgment would eliminate any laborious redrafting of the present Department-drafted document. Judicial legislation, drastic penalties, and judicial burdens of administration would be avoided; yet at the same time all violations of law would be effectively "prevented" and "restrained", in compliance with Section 4 of the Sherman Act.

In conclusion, we wish to stress once more that the conditions and practices of which the Department complains not only are—but for some time have been—things of the past. Most of the agreements and conduct here attacked occurred decades ago. What remained were volun-

tarily changed—after public announcement in open court before trial—four years ago.

The defendant licensor of this case has for four years been licensing all responsible applicants under unlimited, non-exclusive licenses, at rates neither before nor thereafter attacked by the Department. The defendant manufacturers have been vigorously competing with each other and with many other manufacturers for many years, and for the last four years have had or have been free to obtain equal access to all the licensor's patents, and are assured of such equal rights in the future. The trade association has for over four years restricted itself to activities unquestioned even by the Department.

The defendants submit that—having in good faith discontinued the practices objected to by the Department and having thereafter sought conscientiously to conform their conduct to the standards suggested by the Department—they should not be subjected to a judgment strictly vindictive in nature and punitive in effect.

It is urged, in the words of this Court in *Peoria Gas and Electric Company* v. *Peoria*, 200 U. S. 48, that:

> "Parties making an agreement, unlawful by the anti-trust act, may while the agreement is in force be subject to its penalties, but whenever they cease to act under it the penalties also cease. The punishment adheres to the offense and stops when the offense itself stops" (p. 56).

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September 4, 1944.

APPENDIX.

Assignments of Error to Paragraphs.

(Arranged in the order treated herein.)

¶1. Hartford (A 73, R. X, 7735), Owens (A 40-42, R. X, 7760), Hazel-Atlas (A 85, R. X, 7805-6), Corning (A 64, 108, R. X, 7816, 7823-4), Ball (A 48, R. X, 7881), Thatcher (A 27, R. X, 7847), Lynch (A 39, R. X, 7866), Collins (A IV (5), R. X, 7911) and Fulton *et al.* (A IV (6), R. X, 7924).

¶¶3-8. Hartford (A 67-8, 74, R. X, 7733, 7735-6), Owens (A 1-2, R. X, 7747), Hazel-Atlas (A 1-4, R. X, 7778-9), Corning (A 96-7, R. X. 7821), Ball (A 2-6, R. X, 7870-1), Thatcher (A 1-4, R. X, 7835-6), Lynch (A 1, 19-21, R. X, 7849, 7859-60), GCA (A 1-2, R. X, 7883-4), Collins (A II (7-11), IV (4), R. X, 7905-7, 7911) and Fulton *et al.* (A II (4-8), IV (5), R. X, 7917-9, 7924).

¶9. Hartford (A 74, R. X, 7734-6), Owens (A 3, R. X, 7747), Hazel-Atlas (A 5, R. X, 7779), Corning (A 109, R. X, 7824), Ball (A 7-9, R. X, 7871), Thatcher (A 5, R. X, 7836), Lynch (A 22, R. X, 7860), GCA (A 3, R. X, 7884), Collins (A IV (4), R. X, 7911) and Fulton *et al.* (A IV (5), R. X, 7924).

¶¶10-20 and Order of August 25, 1942. Hartford (A 75, R. X, 7736).

¶15. Hartford (A 75-6, R. X, 7736).

¶21. Hartford (A 77, R. X, 7736), Owens (A 4, R. X, 7748), Hazel-Atlas (A 6, R. X, 7779-80), Corning (A 110, R. X, 7824), Ball (A 10, R. X, 7871), Thatcher (A 6, R. X, 7837), Lynch (A 23, R. X, 7860), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶22. Hartford (A 78, R. X, 7736).

¶¶23 and 25. Hartford (A 79, 83, R. X, 7737-8), Owens (A 5, 9, R. X, 7748-9), Hazel-Atlas (A 7, 9, R. X, 7780-2), Corning (A 111, 115, R. X, 7824-5), Ball (A 11-12, 48, R. X, 7871-2, 7881), Thatcher (A 7, 9, R. X, 7837-9), Lynch (A 24, 26, R. X, 7860-1), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶24(a). Hartford (A 80, R. X, 7737), Owens (A 6, R. X, 7748), Hazel-Atlas (A 8, R. X, 7780-1), Corning (A 112, R. X, 7824), Ball (A 13, R. X, 7872-3), Thatcher (A 8, R. X, 7837-8), Lynch (A 25, 37, R. X, 7861, 7864), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶26. Hartford (A 84, R. X, 7738), Owens (A 10-12, R. X, 7749-50), Hazel-Atlas (A 10, R. X, 7782), Corning (A 116, R. X, 7825), Ball (A 14, R. X, 7873), Thatcher (A 10, 27 R. X, 7839-40, 7847), and Lynch (A 27, R. X, 7861-2).

¶24 (b-c). Hartford (A 81-2 R. X, 7737-8), Owens (A 7-8, R. X, 7748-9), Hazel-Atlas (A 8, R. X, 7780-1), Corning (A 113-4, R. X, 7824-5), Ball (A 13, R. X, 7872-3), Thatcher (A 8, R. X, 7837-8), Lynch (A 25, 37, R. X, 7861, 7864), Collins (A IV (3E), R. X, 7909), and Fulton *et al.* (A IV (4E), R. X, 7922).

¶¶27 and 28. Hartford (A 85, R. X, 7738), Owens (A 13-14, R. X, 7750), Hazel-Atlas (A 11, 85, R. X, 7782-3, 7805-6), Corning (A 32, 48, 86, 131, R. X, 7812, 7814-15, 7819, 7823), Ball (A 15-16, 48, R. X, 7873, 7881), Thatcher (A 11, 12, R. X, 7840-1) and Lynch (A 28, 48, R. X, 7862, 7868).

¶29. Hartford (A 83, 86, R. X, 7738-39), Owens (A 15-20; R. X, 7751-2), Hazel-Atlas (A 12, R. X, 7783-4), Corning (A 117, R. X, 7825-6), Ball (A 17, R. X, 7873-4), Thatcher (A 13, 14, R. X, 7841-3), Lynch (A 29, R. X, 7862), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶30. Hartford (A 83, 86, R. X, 7739), Owens (A 21; R. X, 7752), Hazel-Atlas (A 13, R. X, 7884), Corning (A 117, R. X, 7825-6), Ball (A 17, R. X, 7873-4), Thatcher (A 14, R. X, 7843), and Lynch (A 29, R. X, 7862).

¶31. Hartford (A 87, R. X, 7740), Owens (A 22, R. X, 7752), Hazel-Atlas (A 14, R. X, 7784), Corning (A 118, R. X, 7826), Ball (A 18, R. X, 7874), Thatcher (A 15, R. X, 7843), Lynch (A 40, R. X, 7866), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶32. Hartford (A 72, 102, R. X, 7734, 7743-4), Owens (A 23, R. X, 7752), Hazel-Atlas (A 15, R. X, 7784), Corning (A 119, R. X, 7826-7), Ball (A 48, R. X, 7881), Thatcher (A 16, R. X, 7843), GCA (A 4, R. X, 7884), and Lynch (A 30, R. X, 7862-3).

¶¶33-36. Hartford (A 88, 89, R. X, 7740), Owens (A 24-26, 27-8, R. X, 7752-4), Hazel-Atlas (A 16-20, R. X, 7784-7), Corning (A 120-122, R. X, 7827-8), Ball (A 19, 48, R. X, 7874, 7881), Thatcher (A 17-20, R. X, 7843-5), GCA (A 5-7, R. X, 7884-5), Lynch (A 31-33, 41, R. X, 7863, 66, 67), Collins (A IV (3A-D), R. X, 7909), and Fulton *et al.* (A IV (4A-D), R. X, 7921-2).

¶¶37-39. Hartford (A 72, 102, R. X, 7734, 7743-4), Owens (A 29-33, R. X, 7754-5), Hazel-Atlas (A 21, 85, R. X, 7787, 7805-6), Corning (A 131, R. X, 7832), Ball (A 48, R. X, 7881), GCA (A 8-10, R. X, 7885-6), Lynch (A 33, 39, R. X, 7863, 7866), Collins (A IV (3E), R. X, 7909), and Fulton *et al.* (A IV (4E), R. X, 7922).

¶40. Hartford (A 90, R. X, 7740-1), Owens (A 34, R. X, 7755-7), Hazel-Atlas (A 22, R. X, 7787-9), Corning (A 123, R. X, 7828-9), Ball (A 48, R. X, 7881), Thatcher (A 21, R. X, 7845-6), GCA (A 11-18, R. X, 7886-8), Lynch (A 33, R. X, 7863), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶41. Hartford (A 91, R. X, 7741), Owens (A 35, R. X, 7757), Hazel-Atlas (A 23, R. X, 7789), and Ball (A 48, R. X, 7881).

¶¶42-4. Ball (A 21-23, 41, R. X, 7875 and 7880).

¶45. Corning (A 124, R. X, 7829).

¶46 and Order of May 9, 1941. Hartford (A 93, R. X, 7741) and Hazel-Atlas (A 24, 79, R. X, 7789-90, 7802-3).

¶48. Hartford (A 94, R. X, 7741) and Lynch (A 34, R. X, 7863-4).

¶49. Lynch (A 35, R. X, 7864).

¶¶51-52. Hartford (A 95-97, R. X, 7741-3), Owens (A 36-37, R. X, 7757-8), Hazel-Atlas (A 25-6, R. X, 7790-1), Corning (A 125-6, R. X, 7829-30), Ball (A 24, 48, R. X, 7875, 7881), Thatcher (A 22, R. X, 7846), Lynch (A 36, 42, R. X, 7864, 7867), Collins (A IV (3E), R. X, 7909), and Fulton *et al.* (A IV (4E), R. X, 7922).

¶¶53-54. Hartford (A 97, R. X, 7742-3), Owens (A 38-39, R. X, 7758-60), Hazel-Atlas (A 27-8, R. X, 7791-3), Corning (A 127, R. X, 7830-2), Ball (A 25-27, 48, R. X, 7875-6, 7881), Thatcher (A 22, R. X, 7846), Lynch (A 36, 42, R. X, 7864, 7867), Collins (A IV (3E), R. X, 7909) and Fulton *et al.* (A IV (4E), R. X, 7922).

¶55. Hartford (A 98, R. X, 7743), Owens (A 43, R. X, 7760-1), Hazel-Atlas (A 85, R. X, 7805-6), Corning (A 128, R. X, 7832), Ball (A 48, R. X, 7881), Thatcher (A 23, R. 7846), and Lynch (A 36, 43, R. X, 7864, 7867).

¶57. Hartford (A 102, R. X, 7743-4), Owens (A 44, R. X, 7761), Hazel-Atlas (A 85, R. X, 7805-6), Corning (A 131, R. X, 7832), Ball (A 48, R. X, 7881) and Lynch (A 48, R. X, 7868).

¶58. Hartford (A 102, R. X, 7743), Hazel-Atlas (A 85, R. X, 7805-6), Corning (A 131, R. X, 7832) and Ball (A 23, R. X, 7875).

¶59. Hartford (A 102, R. X, 7743-4), Owens (A 45, R. X, 7761), Hazel-Atlas (A 29, R. X, 7793), Corning (A 129, R. X, 7832), Ball (A 48, R. X, 7881), GCA (A 19, R. X, 7888), Lynch (A 48, R. X, 7868), Collins (A IV (6), R. X, 7912) and Fulton *et al.* (A IV (7), R. X, 7924).